交通銀行
BANK OF COMMUNICATIONS
YOUR WEALTH MANAGEMENT BANK

交 通 銀 行 股 份 有 限 公 司
Bank of Communications Co., Ltd.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03328)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors of Bank of Communications Co., Ltd. (the "**Bank**") is pleased to announce the audited consolidated financial information (the "**Annual Results**") of the Bank and its subsidiaries (the "**Group**") for the year ended 31 December 2014 (the "**Reporting Period**"), which has been prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**") issued by the International Accounting Standards Board. The Board of Directors of the Bank (the "**Board of Directors**") and the Audit Committee of the Board of Directors have reviewed and adopted the Annual Results.

1. CORPORATE INFORMATION

(I) Stock Exchanges on which Shares of the Bank are Listed:

A Share: Shanghai Stock Exchange
H Share: The Stock Exchange of Hong Kong Limited

(II) Stock Name and Stock Code:

A Share: Bank of Communications, 601328
H Share: BANKCOMM, 03328

(III) Company Secretary: Du Jianglong
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2. MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS

I. As at 31 December 2014, the major financial data and indicators of the Group prepared under the IFRS were as follows:

Description	**2014**	2013	2012	2011	2010
Full year results					*(in millions of RMB)*
Net interest income	**134,776**	130,658	120,126	103,493	84,995
Profit before tax	**84,927**	79,909	75,211	65,451	49,954
Net profit (excluding non-controlling interests)	**65,850**	62,295	58,369	50,735	39,042
As at the end of the year					*(in millions of RMB)*
Total assets	**6,268,299**	5,960,937	5,273,379	4,611,177	3,951,593
Include: loans and advances to customers	**3,431,735**	3,266,368	2,947,299	2,561,750	2,236,927
Total liabilities	**5,794,694**	5,539,453	4,891,932	4,338,389	3,727,936
Include: due to customers	**4,029,668**	4,157,833	3,728,412	3,283,232	2,867,847
Shareholders' equity (excluding non-controlling interests)	**471,055**	419,561	379,918	271,802	222,773
Per share					*(in RMB)*
Earnings per share (excluding non-controlling interests)	**0.89**	0.84	0.88	0.82	0.66
Net assets per share (excluding non-controlling interests)	**6.34**	5.65	5.12	4.39	3.96
Major financial ratios					(%)
Return on average assets	**1.08**	1.11	1.18	1.19	1.08
Return on average shareholders' equity	**14.79**	15.58	17.91	20.52	20.20
Cost-to-income ratio[1]	**30.52**	29.68	29.86	30.19	32.11
Impaired loans ratio	**1.25**	1.05	0.92	0.86	1.12
Provision coverage of impaired loans	**178.88**	213.65	250.68	256.37	185.84
Capital adequacy indicators					*(in millions of RMB unless otherwise stated)*
Net Capital[2]	**584,502**	516,482	N/A	N/A	N/A
Include: net core tier 1 capital[2]	**470,456**	416,961	N/A	N/A	N/A
other tier 1 capital[2]	**10**	4	N/A	N/A	N/A
tier 2 capital[2]	**114,036**	99,517	N/A	N/A	N/A
Risk weighted assets[2]	**4,164,477**	4,274,068	N/A	N/A	N/A
Capital adequacy ratio (%)[2]	**14.04**	12.08	N/A	N/A	N/A
Tier 1 Capital adequacy ratio (%)[2]	**11.30**	9.76	N/A	N/A	N/A
Core Tier 1 Capital adequacy ratio (%)[2]	**11.30**	9.76	N/A	N/A	N/A

Notes:

1. Refers to business and administrative expenses against the total of various net incomes.

2. Calculated pursuant to the *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* issued by the China Banking Regulatory Commission ("**CBRC**"), which came into effect from 2013. Hence, no comparative figures for previous years are presented. In addition, upon the approval from regulatory authorities, the Group started to use the Advanced Measurement Approach for measurement of capital adequacy ratio from the end of June 2014.

II. Credit Rating in the Last Three Years

	2014	2013	2012
Standard & Poor's	**A-/A2/Stable**	A-/--/Stable	A-/--/Stable
Moody's	**A2/P-1/Stable**	A3/P-2/Stable	A3/P-2/Stable
Fitch	**A/F1/Stable**	A/F1/Stable	A-/F1/Stable

Note: the rating format is "rating of long-term foreign currency deposit"/"rating of short-term foreign currency deposit"/"rating outlook".

3. SHAREHOLDINGS OF THE SHAREHOLDERS (ACCORDING TO THE BANK'S REGISTER OF MEMBERS MAINTAINED AT ITS SHARE REGISTRAR)

As at 31 December 2014, the Bank had issued a total of 74,262,726,645 shares, comprising 39,250,864,015 A shares and 35,011,862,630 H shares, which account for 52.85% and 47.15%, respectively.

I. Shareholdings of the Top 10 Shareholders

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Number of shares held subject to sales restrictions (share)	Number of shares pledged or frozen[1]	Nature of shareholders
Ministry of Finance of People's Republic of China ("**Ministry of Finance**")	–	19,702,693,828	26.53	2,530,340,780	Nil	State
HKSCC Nominees Limited[2]	15,915,281	14,917,284,241	20.09	–	Unknown	Foreign legal person
The HongKong and Shanghai Banking Corporation Limited[3]	–	13,886,417,698	18.70	–	Nil	Foreign legal person
National Council for Social Security Fund[4]	–	3,283,069,006	4.42	1,877,513,451	Nil	State
Capital Airports Holding Company	–	1,246,591,087	1.68	–	Unknown	State-owned legal person
Shanghai Haiyan Investment Management Co., Ltd.	–	808,145,417	1.09	439,560,439	Unknown	State-owned legal person
Ping An Life Insurance Company of China Ltd. – Traditional – High interest rate policy products	14,801,689	720,186,701	0.97	705,385,012	Unknown	Domestic non-state-owned legal person
China FAW Group Corporation	–	663,941,711	0.89	439,560,439	Unknown	State-owned legal person
Yunnan Hongta Group Co., Ltd.	–	658,467,013	0.89	219,780,219	Unknown	State-owned legal person
Luneng Group Co., Ltd.	–	571,078,169	0.77	–	Unknown	State-owned legal person

Notes:

1. Unless otherwise stated, the Bank is not aware of any circumstances where shares held by the above shareholders have been pledged or frozen, or the existence of any connected relationship among the above shareholders, or whether they are parties acting in concert as defined in the "Measures for the Administration of the Takeover of Listed Companies".

2. The aggregate number of shares held by the nominee, HKSCC Nominees Limited, represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at 31 December 2014. (Same applies hereinafter)

3. According to the Bank's register of members, The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") held 13,886,417,698 H shares of the Bank as at 31 December 2014. In addition, according to the disclosure of interests forms filed with The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") by HSBC Holdings plc, HSBC beneficially held 14,135,636,613 H shares of the Bank as at 31 December 2014, representing 19.03% of the Bank's total share capital. Please refer to "Substantial shareholders and holders of interest or short positions required to be disclosed under Divisions 2 and 3 of Part XV of the Hong Kong Securities and Futures Ordinance" for details of the H shares that deemed to be beneficially owned by HSBC. (Same applies hereinafter)

4. According to the information provided by the National Council for Social Security Fund (the "**SSF**") to the Bank, as at 31 December 2014, other than the shareholdings recorded in the register of members of the Bank, SSF held additional 7,027,777,777 H shares of the Bank, representing 9.46% of the Bank's total share capital, which had been registered under HKSCC Nominees Limited. As at 31 December 2014, SSF held a total of 10,310,846,783 A shares and H shares of the Bank, representing 13.88% of the Bank's total share capital. (Same applies hereinafter)

II. Shareholdings of the Top 10 Shareholders Not Subject to Sales Restrictions

Name of shareholders	Number of shares held not subject to sales restrictions (share)	Class and number of shares Class	Number (share)
Ministry of Finance	12,618,353,049	RMB ordinary shares	12,618,353,049
	4,553,999,999	Overseas-listed foreign shares	4,553,999,999
HKSCC Nominees Limited	14,917,284,241	Overseas-listed foreign shares	14,917,284,241
The HongKong and Shanghai Banking Corporation Limited	13,886,417,698	Overseas-listed foreign shares	13,886,417,698
SSF	1,405,555,555	Overseas-listed foreign shares	1,405,555,555
Capital Airports Holding Company	1,246,591,087	RMB ordinary shares	1,246,591,087
Luneng Group Co., Ltd.	571,078,169	RMB ordinary shares	571,078,169
Yunnan Hongta Group Co., Ltd.	438,686,794	RMB ordinary shares	438,686,794
Shanghai Haiyan Investment Management Co., Ltd.	368,584,978	RMB ordinary shares	368,584,978
Aviation Industry Corporation of China	300,678,450	RMB ordinary shares	300,678,450
Daqing Petroleum Administration Bureau	294,936,165	RMB ordinary shares	294,936,165

Details of connected relationship or acting in concert among the above shareholders:

(1) The Bank is not aware of the existence of any connected relationship among the above shareholders, or whether they are parties acting in concert as defined in the *"Measures for the Administration of the Takeover of Listed Companies"*.

(2) The Bank is not aware of the existence of any connected relationship between the top 10 shareholders not subject to sales restrictions and the top 10 shareholders, or whether they are parties acting in concert as defined in the *"Measures for the Administration of the Takeover of Listed Companies"*.

III. Shareholdings of Shareholders Subject to Sales Restrictions

No.	Name of shareholders subject to sales restrictions	Number of shares held subject to sales restrictions[1] (share)	Listing and trading situations of shares subject to sales restrictions		Lock-up period
			Listing and trading time[2]	Number of listing and trading shares increased	
1	Ministry of Finance	2,530,340,780	23 August 2015	–	36 months
2	SSF	1,877,513,451	23 August 2015	–	36 months
3	Ping An Life Insurance Company of China Ltd. – Traditional – High interest rate policy products	705,385,012	23 August 2015	–	36 months
4	China FAW Group Corporation	439,560,439	23 August 2015	–	36 months
5	Shanghai Haiyan Investment Management Co., Ltd.	439,560,439	23 August 2015	–	36 months
6	China National Tobacco Corporation – Zhejiang Branch	329,670,329	23 August 2015	–	36 months
7	Yunnan Hongta Group Co., Ltd.	219,780,219	23 August 2015	–	36 months

Details of connected relationship or acting in concert among the above shareholders:	The Bank is not aware of the existence of any connected relationship among the above shareholders, or whether they are parties acting in concert as defined in the *"Measures for the Administration of the Takeover of Listed Companies"*.

Notes:

1. As at 31 December 2014, the number of shares held subject to sales restrictions remains the same as that at the beginning of period.

2. If such date is a public holiday or non-working day, it will be postponed to the next trading day.

IV. Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed under Divisions 2 and 3 of Part XV of the "Hong Kong Securities and Futures Ordinance"

As at 31 December 2014, to the knowledge of the Directors, Supervisors and Chief Executive of the Bank, the substantial shareholders and other persons (other than the Directors, Supervisors and Chief Executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the Hong Kong Securities and Future Ordinance (the "**SFO**") were as follows:

Name of substantial shareholders	Capacity	Number of A shares (share)	Nature of interest[1]	Approximate percentage of total issued A shares (%)	Approximate percentage of total issued shares (%)
Ministry of Finance	Beneficial owner	15,148,693,829[2]	Long position	38.59	20.40
SSF	Beneficial owner	1,877,513,451	Long position	4.78	2.53

Name of substantial shareholders	Capacity	Number of H shares (share)	Nature of interest[1]	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
SSF	Beneficial owner	8,433,333,332	Long position	24.09	11.36
Ministry of Finance	Beneficial owner	4,553,999,999[2]	Long position	13.01	6.13
HSBC	Beneficial owner	14,135,636,613	Long position	40.37	19.03
	Interest of controlled corporations	2,674,232[3]	Long position	0.01	0.004
	Total:	14,138,310,845		40.38	19.04
HSBC Finance (Netherlands)	Interest of controlled corporations	14,138,310,845[4]	Long position	40.38	19.04
HSBC Bank plc	Beneficial owner	9,012,000	Long position	0.03	0.01
	Interest of controlled corporations	63,250[5]	Long position	0.0002	0.0001
	Total	9,075,250		0.03	0.01
HSBC Holdings plc	Interest of controlled corporations	14,147,386,095[6]	Long position	40.41	19.05

Note:

1. Long positions held other than through equity derivatives.

2. To the knowledge of the Bank, as at 31 December 2014, the Ministry of Finance held 4,553,999,999 H shares and 15,148,693,829 A shares of the Bank, representing 6.13% and 20.40% of the total share capital of the Bank, respectively.

3. HSBC holds 62.14% equity interest in Hang Seng Bank Limited. Pursuant to the SFO, HSBC is deemed to be interested in the Bank's H shares held by Hang Seng Bank Limited.

   Hang Seng Bank Limited is deemed to be interested in the 2,674,232 H shares held by its wholly-owned subsidiaries. Such amount of H shares represent the aggregate of the 2,581,887 H shares directly held by Hang Seng Bank Trustee International Limited and 92,345 H shares directly held by Hang Seng Bank (Trustee) Limited.

4. HSBC is wholly owned by HSBC Asia Holdings BV, and HSBC Asia Holdings BV is, in turn wholly owned by HSBC Asia Holdings (UK) Limited which is wholly owned by HSBC Holdings BV. Furthermore, HSBC Holdings BV is wholly owned by HSBC Finance (Netherlands). Pursuant to the SFO, each of HSBC Asia Holdings BV, HSBC Asia Holdings (UK) Limited, HSBC Holdings BV and HSBC Finance (Netherlands) is deemed to be interested in the 14,138,310,845 H shares held by HSBC.

5. HSBC Trustee (C.I.) Limited holds 63,250 H shares. HSBC Trustee (C.I.) Limited is wholly owned by HSBC Private Bank (C.I.) Limited, which is wholly owned by HSBC Private Banking Holdings (Suisse) SA. Furthermore, HSBC Private Banking Holdings (Suisse) SA is wholly owned by HSBC Europe (Netherlands) BV, which is in turn owned as to 94.90% by HSBC Bank plc. Pursuant to the SFO, each of HSBC Private Bank (C.I.) Limited, HSBC Private Banking Holdings (Suisse) SA, HSBC Europe (Netherlands) BV and HSBC Bank plc is deemed to be interested in the 63,250 H shares held by HSBC Trustee (C.I.) Limited.

6. Both HSBC Finance (Netherlands) and HSBC Bank plc are wholly owned by HSBC Holdings plc. Pursuant to Notes 3, 4, 5, and the SFO, HSBC Holdings plc is deemed to be interested in the 14,138,310,845 H shares held by HSBC and the 9,075,250 H shares held by HSBC Bank plc.

Save as disclosed above, as at 31 December 2014, no person (excluding the Directors, Supervisors and Chief Executive of the Bank) or corporation was recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

4. MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

The Group faced up with the complex economic and financial environment during the year of 2014 whereas the Group withstood multiple challenges such as the slowdown of economic growth and the acceleration of interest rate liberalisation and, the overall development trend was consistent with the expectation because the Group sought improvement in stability, drove and stimulated business activity by means of innovation, promoted transformation by deepening reform. Return on average assets ("**ROAA**") and return on average equity ("**ROAE**") was 1.08% and 14.79% respectively, representing a year-on-year decrease of 0.03 and 0.79 percentage point. The reduction range was significantly narrowed as compared with the prior year.

Stable quality of development and effectiveness. As at the end of the Reporting Period, the Group's total assets increased by 5.16% from the beginning of the year to RMB6,268.299 billion, among which the total assets of overseas banking institutions exceeded 100 billion US dollars for the first time; the daily average balances of customer deposits amounted to RMB3,984.424 billion, representing a year-on-year increase of 5.84%; the customer deposit balances decreased by 3.08% from the beginning of year to RMB4,029.668 billion; the daily average balances of customer loans and receivables increased by 6.93% on a year-on-year basis to RMB3,400.175 billion; the customer loan balances (before provision, if not specially stated, same applies hereinafter) amounted to RMB3,431.735 billion, representing an increase of 5.06% from the beginning of the year.

Further optimised profit structure. During the Reporting Period, the net profit increased by 5.71% on a year-on-year basis to RMB65.850 billion, among which, net fee and commission income was RMB29.604 billion, representing a year-on-year increase of 14.00%; the proportion of fee and commission income over net operating income was 16.57%, increased by 0.84 percentage point on a year-on-year basis.

Strong execution of strategic transformation. International and integrated business advantage was continuously strengthened. Overseas banking entities and subsidiaries accounted for approximately 12.39% of the Group's total assets, representing an increase of 1.61 percentage points from the beginning of the year, and accounted for approximately 8.50% of the Group's net profit, representing a year-on-year increase of 0.55 percentage point. The reform of divisional structure and quasi-divisional structure was steadily promoted. Six of the profit making centres of divisional structure had a year-on-year increase of net operating income of 23.44%, Assets management business rapidly developed, the on and off-balance-sheet wealth management product scale denominated in Renminbi exceeded 1 trillion, ranking the leading position among peers with an effective enhancement.

Stable asset quality. The Group actively coped with adverse risk situation and made all efforts to stabilise assets quality, achieving the balance of the impaired loans of RMB43.017 billion, with the growth rate being slowed down. The Group focused on defusing risky loans and consolidating the collateral and asset restructuring of the credit business, mitigating risks in time. The Group reduced the loans without collaterals by RMB74.9 billion, and re-collateralised RMB52.3 billion of loans, and restructured non-performing loans of RMB6.25 billion; the impaired loans ratio was 1.25%, representing an increase of 0.20 percentage point from the beginning of the year. Although decreasing by 34.77 percentage points from the beginning of the year to 178.88%, the provision coverage ratio of impaired loans was still higher than the regulatory requirements.

Significantly enhanced capital strength. During the Reporting Period, the Group actively promoted the business structure adjustment and internal capital management control, and effectively enriched the capital strength by internal capital accumulation and external capital supplement. As approved by CBRC, the Group became one of the first batch of commercial banks implementing Advanced Measurement Approach at the Bank level and the Group level. As at the end of the Reporting Period, the capital adequacy ratio and Tier 1 capital adequacy ratio was 14.04% and 11.30%, respectively, representing an increase of 1.96 and 1.54 percentage points from the beginning of the year.

Continuously promoted the Bank's brand. In 2014, the Group continuously honored in *FORTUNE*'s "Top 500 Global Companies", and ranked No. 217 in terms of revenue, up by 26 ranks as compared with the prior year. The Group ranked No. 19 among the global top 1,000 banks in terms of tier-1 capital rated by *The Banker*, up by 4 ranks as compared with the prior year and ranked top 20 among global banks for the first time. During the Reporting Period, 127 branch outlets of the Group were awarded "Top 1000" service model unit by the China Banking Association, representing a year-on-year increase of 39 branch outlets. The number of awarded branch outlet ranked second among the banking industry. The brand influence continuously expanded.

1. Corporate banking business

- In 2014, from the corporate banking business sector, the Group's profit before tax increased by 4.14% on a year-on-year basis to RMB56.214 billion; net fee and commission income increased by 8.42% on a year-on-year basis to RMB16.259 billion; "Win To Fortune" high net worth corporate customers increased by 6.67% on a year-on-year basis.

- As at the end of the Reporting Period, the Group's corporate deposit balance decreased by 4.84% from the beginning of the year to RMB2,666.271 billion; daily average balance of corporate deposits increased by 6.44% from the beginning of the year to RMB2,681.507 billion; corporate loan balance increased by 1.92% from the beginning of the year to RMB2,563.378 billion; daily average balance of corporate loan and receivables increased by 2.10% on a year-on-year basis to RMB2,500.848 billion.

- As at the end of the Reporting Period, the Group's corporate impaired loan balance increased by 34.92% from the beginning of the year to RMB34.040 billion; the impaired loans ratio increased by 0.33 percentage point from the beginning of the year to 1.33%.

The Group continued to promote transformation and the structure optimisation of the corporate banking, and built a new development model of synergistic development between key regional groups and the integrated management mechanism for key customers. The Group took the lead in carrying out reform of quasi-divisional structure of large customers among state-owned banks, promoted the construction of corporate wealth management system, effectively expanded the influence of brand "Win To Fortune", and strengthened business access and entire financing duration management to prevent and mitigate large risks. Moreover, the Group actively integrated into the RMB internationalisation, with a variety of Free Trade Zone ("**FTZ**") finance and custody finance creating a pioneer in Chinese-funded banking services. The Group followed the development trend of Internet finance and big data, achieving a rapid integration of system data and centralised management of business processes.

(1) Corporate and institutional business

Seizing major national strategic opportunities such as “One Belt and One Road”, “Integration of Beijing-Tianjin-Hebei”, New Countryside Construction and sustainable development in the Midwest and focusing on reforms in the nationwide major industries, such as education, health care, social security and the Bank intensified the support for construction of global and strategic major projects. The Bank promoted the “Win to Fortune Accompany You” activity, signed the comprehensive strategic cooperation agreement with leading enterprises in the industries like communications, agriculture, transportation and aviation, and deepened the cooperation with them. Moreover, the Bank improved the product portfolio package of “Financing + Settlement + Wealth Management”, established direct connection with provincial lottery system, pushed the innovation, implementation and popularisation of businesses such as centralised operation of cross-border Renminbi funds of multinational enterprises, smart vehicle financing system, Internet notes platform and customs integration guarantee. The government finance was rapidly advanced, and the non-tax agent business of central government ranked first in the annual assessment. Finance in FTZ developed steadily. The Bank successfully signed to be the first batch of banks to implement the centralised management project of foreign exchange funds of multinational corporations in FTZ, and completed the first aircraft leasing, ship leasing and commercial factoring business in FTZ.

(2) Medium, small and micro enterprises business

The Bank provided clustering special services for enterprises in professional circles, supply chain, and hi-tech parks, expanded the financial services for business circles, clarified popularisation and guidance of project system of business circles, and provided special financial services programme. The Bank promoted financial business of the supply chain of core enterprises such as hospitals, and provided financial services to medium, small and micro enterprises along the upstream and downstream of the supply chain. Technology finance was promoted through exploring the “investment linked loans” model, so as to develop a pilot programme for pilot model of technology finance services. Focusing on settlement volume, the Bank developed POS loans products to satisfy customers’ requirements of convenient financial services. The Bank explored the innovation of Internet and big data financing model, strengthened cooperation with third party companies such as China Unicom and China Telecom and achieved online operation of the entire business cycle, such as “Wo Yi Dai” business. As at the end of the Reporting Period, loan balance to MSMEs provided by domestic branches increased by 0.32% from the beginning of the year to RMB1,259.151 billion, the proportion of which reached 40.58%, representing a decrease of 2.27 percentage points from the beginning of the year.

(3) *"One Branch Offering Nationwide Service" industrial value chain financial service*

Paying close attention to financial demands from corporate customers in the supply, production and marketing field, the Bank continued to perfect the services functions in receivables collection, optimised the management services of life cycle of receivables collection, actively promoted the branding of "Express Receivable Collector" and "Express Bill Discounting". The Bank continued to update the electronic channels, improved the business model of "One-branch-offering-nationwide-services", and intensified customer cluster service experience and risk control ability. As at the end of the Reporting Period, there were nearly 1,200 core supply chain networks of domestic branches and more than 10,000 related companies. The Bank was awarded "Best Supply Chain Finance" by *CFO World* in 2014. The market popularity and brand reputation was continuously improved.

(4) *Cash management business*

The Bank continued to optimise the functions of key products such as global cash management, inter-bank capital management platform, notes pool, secondary accounts and corporate debit card. The Bank established green passage of after-sales service for key customers to improve client experience. The Bank was awarded "2014 Cash Management Bank with Competitiveness" by *China Business Journal* and "Best Service Provider, Cash Management, China-Rising Star" by "Triple A Transaction Banking Awards 2014" of *The Asset*. As at the end of the Reporting Period, the number of corporate customers of e-channel cash management amounted to 17,400 and the number of cash management accounts amounted to 94,000.

(5) *International settlement and trade finance*

By utilising both domestic and overseas resources, the Bank gave great impetus to combined cross-border settlement and trade finance products to provide personalised, global investment and financing services with enterprises. During the Reporting Period, domestic branches' international settlement volume increased year-on-year by 9.95% to RMB3,746.431 billion, and the amount of international trade finance was RMB183.080 billion. The Bank actively utilised international factoring to help small and medium-sized foreign trade enterprises to avoid the risks from exported exchange collections and provide financing facilities. During the Reporting Period, the volume of international factoring was RMB9.038 billion, among which the amount of the dual factoring business of Factors Chain International ("FCI") reached RMB7.147 billion, representing a year-on-year increase of 42.61%. The Bank was awarded the "Best Trading Partner Bank" by the Finance Committee of China Banking Association for three consecutive years.

(6) Investment banking business

Closely following the policy changes of local government bonds, the Bank has successfully become the lead underwriter of a number of bond issuance projects for several local governments. The Bank actively explored overseas and cross-border bond markets, leading to large increase in issuance amount in overseas market. The Bank steadily pushed forward development of credit asset securitisation and successfully issued credit asset securitisation project of approximately RMB10.0 billion. Closely following the reform of mixed ownership and the guidelines of services model policy of public-private partnership ("**PPP**"), the Bank led the establishment of BoCom mergers and acquisitions services union. Fee income from investment banking reached RMB7.643 billion during the Reporting Period, accounted for 23.22% of the Group's total fee and commission income. The number of debt financing instruments (including local government debt) underwritten by domestic branches as lead underwriters during the year increased by 69.80% on a-year-on-year basis to 253, and the issuance amount of such instruments increased by 45.46% on a year-on-year basis to RMB451.524 billion. The Bank was awarded "Best Investment Banking Business Award" by *CFO World*, and "Most Innovative Bank and Investment Bank Award" and "Best Bond Underwriting Award" by *Securities Times*.

(7) Asset custody business

Consolidating and exerting the advantages of custody business, the Bank expedited the innovative development of diversified custody products. The Bank vigorously developed the pension market and kept on remaining a leading position in the industry. Expediting the building of overseas custody platform, the Bank constantly enriched the international custody product line, covering the Asia-Pacific market and extending to the global market. Strengthening the risk management and infrastructure construction, establishing and perfecting the advanced technology system of custody business connecting domestic and overseas banks and branches, customers and markets, the Bank vigorously guaranteed the safe operation of custody assets. The Bank became the first domestic QDLP (Qualified Domestic Limited Partnership) fund depositary bank and the first domestic custody bank of sovereign wealth funds investing overseas. The Bank was awarded "Best Asset Custody Award" by *CFO World*. As at the end of the Reporting Period, assets under custody of the Bank increased by 47.85% from the beginning of the year to RMB4,160.098 billion.

2. Personal banking business

- In 2014, from personal banking business sector, the Group's profit before tax increased by 4.18% on a-year-on-year basis to RMB6.611 billion; net fee and commission income increased by 27.22% on a year-on-year basis to RMB11.713 billion; the total number of individual customers in domestic branches increased by 10% from the beginning of the year.

- As at the end of the Reporting Period, the balance of personal deposits of the Group increased by 0.51% from the beginning of the year to RMB1,357.902 billion, and the proportion of personal deposits increased by 1.20 percentage points from the beginning of the year to 33.69%. The daily average balance of personal deposits increased by 4.61% on a year-on-year basis to RMB1,302.917 billion. The balance of personal loans of the Group increased by 15.58% from the beginning of the year to RMB868.357 billion, and the proportion of personal loans increased by 2.31 percentage points from the beginning of the year to 25.31%. The daily average balance of personal loans increased by 22.82% on a year-on-year basis to RMB787.991 billion.

- As at the end of the Reporting Period, the balance of personal impaired loans of the Group decreased by 1.15% from the beginning of the year to RMB8.977 billion; the personal impaired loans ratio decreased by 0.18 percentage point from the beginning of the year to 1.03%.

In 2014, the Bank continuously strengthened product innovation, actively innovated marketing model and continuously improved services quality. The Bank aimed at developing the business development pattern of "bulk retail" which took wealth management as its main part and characterised by inclusive finance, consumer finance and Internet finance, so as to comprehensively promote the transformative development of the personal banking business.

(1) Personal deposit and loan

Revolving around settlement funds from payroll credit, wealth management and "Jia Yi Tong", the Bank vigorously increased saving deposits and consolidated basic customer group. The Bank launched the innovative superior products "Tian Tian Li" series and OTO Payroll, which effectively increased the customers' fund precipitation. Moreover, by launching branch based principle-guaranteed wealth management product "Wen Tian Li", the Bank expanded the new funds resources with delicacy management. As at the end of the Reporting Period, the domestic branches' saving deposit amounted to RMB1,191.191 billion, representing an increase of RMB2.582 billion from the beginning of the year.

The Bank spent efforts on promoting consumption loans, took advantage over upgrading and updating of BoCom E-loan product and got to the root of the payroll credit demand and the consumption and financing demands of mortgage customer group, which had the competitive edge of electronic streamlining. The Bank promoted the building of outlets with inclusive financing features and designed a "Community Loan" program to meet the diversified financing needs of community residents. The Bank implemented the national housing mortgage loan policy and imposed policies on mortgage finance services.

(2) Personal wealth management business

The Bank was the title sponsor of "2014 World Snooker Shanghai OTO Masters" and made full advantage of emerging media to carry out brand promotion. The Bank continued to promote the specialised services over cross-border finance, healthy lifestyle and private trust. It held almost a hundred customer roadshows, established more than 70 OTO Fortune cross-border financial service centres, carried out OTO Fortune traditional Chinese medicine healthy lifestyle activities and completed the first private family trust business, so as to satisfy the family wealth inheritance needs of high end private bank customers. The Bank was awarded "Golden Wealth Management – Best Wealth Management Brand" by *Shanghai Securities News*. As at the end of the Reporting Period, retail asset under management ("**AUM**") by the Bank amounted to RMB2,152.145 billion, representing an increase of 13.08% from the beginning of the year. The number of BoCom fortune customers and OTO Fortune customers increased by 9.53% and 18.85%, respectively from the beginning of the year. The number of private banking customers increased by 16.63% from the beginning of the year. Private banking assets under management amounted to RMB291.0 billion, representing an increase of 24.39% from the beginning of the year.

(3) Bank card business

Credit card business

The Bank fully expanded the new brand campaign "Easy for More", focusing on customer experiences by strengthening customer service. It optimised the assets-based business products and the acceptance channels and implemented the differentiated marketing strategy. Adopting innovative marketing mode, it continuously expanded its market scale by strengthening the brand influence of "Super Red Friday" and launching new campaign of "Weekly Swipe". Keeping up with the development of mobile internet, the Bank built the new mobile service platform and established its own unique marketing service platform of "Man Tian Xing", expanding the card issuing channels other than the way of face-to-face.

As at the end of the Reporting Period, the total amount of domestic credit cards in use (including quasi-credit cards) increased by 6.08 million from the beginning of the year to 36.28 million. The accumulated expenditure amounted to RMB1,150.444 billion, representing an increase of 45.40% from the prior year. Credit card overdraft balance amounted to RMB223.593 billion, representing an increase of 36.36% from the beginning of the year while the impairment over credit card overdraft was 1.68%, representing a decrease of 0.03 percentage point from the beginning of the year.

Debit card business

Based on "acquiring customer" and "promoting consumption", the Bank constantly drove the stable development of the Pacific Bank Card business. The Bank continued to carry out Pacific Bank Card "Step up in Consumption" and "New Year, New SIM" competitions, planned to promote "Red Friday-Special Offers for Community" and "Overseas Shopping, Enjoy Discounts All Over the World" activities and organised marketing campaigns for visual card "Good Voice", and excellent brand effects were formed for these products as a result, driving the growth of consumption via bank cards. The Bank actively carried out business innovation of the Gold Neighbour Card, cardless debit card, multi-currency debit card and IC card multi-application, and launched several innovative products for mobile payment such as separate IC card and Pacific Gold Wealth Card. As at the end of the reporting period, the number of domestic Pacific debit cards amounted to 98.40 million, representing an increase of 3.63 million from the beginning of the year. The accumulated spending was RMB775.7 billion, representing an increase of 13.51% from the prior year.

3. Treasury business

- In 2014, the Group's net interest income from the treasury business sector decreased by 0.74% on a year-on-year basis to RMB20.134 billion.

- In 2014, the Group's profit before tax from the treasury business sector increased by 13.55% on a year-on-year basis to RMB20.661 billion.

In 2014, responsive to series of challenges in the macro-economy, the Bank continued to strengthen its research and assessment over the macro environment domestically and abroad, dug up the in-depth value of monetary market, wealth and asset management and other businesses, enhanced product innovation and deepened interbank cooperation to drive the stable development of interbank and market business.

(1) Institutional financial service

Placing great effort in developing financial factor market, the Bank became one of the first batch of cross-border clearing banks for "Shanghai-Hong Kong Stock Connect", one of the first batch of clearing banks to successfully connect with National Equities Exchange and Quotations ("**NEEQ**") and one of the first batch of banks to start up agency settlement service for CNY Interest Rate Swap and iron ore and steam coal swap in Shanghai Clearing House. In the aspect of interbank collaboration, the Bank has made collaboration contract with 114 banks. The Bank has collaborated with 20,747 banking outlets, representing an increase of 5,064 from the beginning of the year. It has entered into comprehensive cooperation agreement or business agreement with 17 rural credit cooperatives at provincial level. In the aspect of collaboration with securities companies, the Bank has collaborated with 95 securities companies in terms of third-party depository business and achieved market coverage of 96%; it has collaborated with 73 securities companies in terms of financing and securities loans depository business and achieved market coverage of 82%; it has completed stock option system testing with 72 securities companies and achieved market coverage of 95%. In the aspect of the collaboration with futures trading companies, the futures funds amounted to RMB70.161 billion, of which the margin deposits of futures trading companies amounted to RMB31.979 billion. For the "BoCom Tong Ye" interbank off-balance sheet wealth management products, their accumulated sales amounted to RMB895.2 billion, and the Bank has collaborated with more than 200 financial institutions.

(2) Money market transactions

In 2014, on the basis of sound fund procurement to ensure the security of fund payment, the Bank made an effort to broaden channels for the use of funds and steadily increase the yield. During the Reporting Period, the total volume of Renminbi money market transactions by domestic branches was RMB13.08 trillion, among which RMB10.74 trillion was lent to financial institutions and RMB2.34 trillion was borrowed from financial institutions. The total volume of foreign currency money market transaction was USD176.1 billion.

(3) Trading account business

The Bank remained active in both trading and innovation in terms of Renminbi bond transaction. During the Reporting Period, the transaction volume of domestic branches in respect of RMB-denominated bonds reached RMB1.73 trillion. The Bank continued to extend the scale of bond transaction, carried out interest rate swap netting transactions as an agency bank at Shanghai Clearing House, formally launched market-making transaction business for the transaction platform of qualified investors of non-financial institutions, and made great effort to develop bond transaction with foreign central banks. In terms of foreign exchange, confronted with the violently fluctuating exchange rate of Renminbi against US dollar, the Bank flexibly adjusted the trading strategy and correctly seized trading opportunities, improving the operating results of proprietary foreign exchange transactions; with correct grasp of the fluctuation pattern of domestic and overseas markets, it extended the development of proprietary business, and continuously enhanced the efficiency in the use of funds by use of diversified portfolios. During the Reporting Period, the domestic branches have achieved USD661.5 billion in inter-bank market exchange foreign transactions.

(4) Banking book investments

The Bank actively seized the opportunity of bond market, strengthened its research on interest rate trend, and adjusted the pace of bond investment, so as to increase bond yield with the assumption of controllable risks and to maintain relatively high liquidity of portfolios. It increased its holdings of bonds in foreign currencies as appropriate, improving the overall profitability of foreign currency assets. During the Reporting Period, the Group's investment in bonds amounted to RMB1,159.622 billion, representing an increase of 8.54% from the beginning of the year. The securities investment yield was 4.16%, representing a year-on-year increase of 30 basis points.

(5) *Precious metal business*

The Bank actively built the "BoCom Precious Metal" brand, and related product of "OTO Gold" was successfully registered as gold bar available for delivery at gold exchange agency. It was qualified as the first batch of trial market makers of gold inquiry business and silver market makers. It launched new trading businesses such as corporate gold agency, physical delivery for corporate customer and international board gold agency transaction. The Bank is among the first to carry out international board gold settlement, transaction and import businesses, and its kiloton depository located in Shanghai is the first and currently the only international board certified gold depository. During the Reporting Period, the domestic branches have achieved RMB98.965 billion in agency of volume of personal precious metal transactions, representing an increase of 15.09% from the prior year. The accumulated transaction volume of proprietary gold trading increased by 46.01% as compared with the prior year to 845.45 tonnes. As at the end of the Reporting Period, the Bank ranked the second among non-futures company members on precious metal contractual trading volume in Shanghai Futures Exchange, as well as the fifth on proprietary volume in Shanghai Gold Exchange, maintaining an active role in the market. During the Reporting Period, the Bank won several awards including the "The Largest 10 Golding Trading Enterprises in Shanghai Gold Exchange" and "Excellent Financial Member of Shanghai Gold Exchange".

(6) *Asset management business*

The Bank was devoted to developing new products, new customers and new areas, resulting in constant growing influence of asset management business. The Bank launched the first active management net value product and the first personal structured wealth management product linked to CSI 300 Index, enriching the wealth management product line. It launched the "BoCom Tong Ye" interbank wealth management products, to improve its capabilities in serving interbank customers. It released the "Three Funds" series of wealth management products mainly targeted at city commercial banks, rural commercial banks and other interbank customers, gradually establishing its brand advantage.

The Bank accelerated the arrangement of Renminbi offshore asset management service, and set up asset management business sub-centre in Hong Kong, to provide Renminbi offshore asset management counselling and service and to drive asset management business both domestically and abroad, striving to become the world's leading Renminbi asset manager. During the Reporting Period, the Bank launched 12,488 wealth management products and raised funds of RMB15,410.3 billion, representing an increase of 56.83% and 38.95% from the prior year, respectively. Competitiveness of wealth management products was improved significantly, and the Bank kept its leading position in the bank wealth management ranking of "CNBenefit".

4. "Trinity" network construction

- In 2014, the profit per capita of the Group increased year-on-year by 12.77% to RMB703.1 thousand. As at the end of the Reporting Period, the deposit per outlet (excluding community branch outlets) decreased by 4.09% from the beginning of the year to RMB1.453 billion.

- As at the end of the Reporting Period, the total amount of domestic branches outlets increased by 95 from the beginning of the year to 2,785, of which 98 were newly opened and 3 low-yield ones were closed down.

- As at the end of the Reporting Period, the ratio of self-service bank to branch outlet increased to 1.27:1; The diversion rate of e-channels increased by 4.80 percentage points from the beginning of the year to 83.13%.

- As at the end of the Reporting Period, the number of relationship managers in domestic branches increased year-on-year by 4.36% to 22,680.

Adhering to "BoCom Strategy", on the basis of classification management of branches and differentiated construction of branches, the Bank carried forward transformation promotion of tier-2 branches, construction of comprehensive outlets, improvement of branch network and pilot run of specialised outlets, and took the strategy of offering physical outlets with features of "making it bigger and more comprehensive or making it smaller and more specialised"; on the basis of e-banking innovation, the Bank accelerated innovation of E-channels and products such as mobile banking, WeChat banking, online banking and self-service banking; on the basis of relationship manager team construction, the Bank continued to increase the proportion of number and abilities of relationship managers, to further enhance the construction and development of "trinity" service channel which comprises of physical outlets, e-banking and relationship managers.

(1) Physical outlets

The Bank launched a comprehensive five-year improvement project of grass-root branch outlets, carried out specialised operation, in-site modification or relocation and adjustment of outlets in various ways, focused on integration of outlet functional layout, and continuously improved the outlet products comprehensiveness and business contribution. It carried forward classification construction of grass-root outlets in the following two aspects. On one hand, for "making it bigger and more comprehensive", the Bank constantly carried forward the construction of comprehensive outlets. As at the end of the Reporting Period, the number of comprehensive outlets increased by 129 from the prior year to 396, where the number of comprehensive flagship outlets increased by 60 from the prior year. On the other hand, for "making it smaller and more specialised", the Bank actively promoted pilot run of community branch outlets and continued to improve inclusive financial system. As at the end of the Reporting Period, 345 community sub-branches have been approved for construction, of which 66 branches were opened for business.

As at the end of the Reporting Period, the total number of domestic outlets increased by 95 from the beginning of the year to 2,785, of which 98 were newly opened and 3 were closed down due to their low yields. With the opening of 15 new branches in the year, the Bank's network covered 230 cities at or above prefecture level, with the coverage ratio at prefecture and municipal-level cities up 4.49 percentage points from the beginning of the year to 68.86%. In particular, the coverage ratio in West China was up 5.35 percentage points from the beginning of the year to 42.75%.

(2) E-banking

The Bank set up the Internet financial business centre, to build features of consumer finance centring on merchant bank. As at the end of the Reporting Period, the number of e-banking transactions in domestic branches exceeded 2.27 billion with the transaction amount exceeding RMB112 trillion. The diversion rate of e-channels was up 4.80 percentage points from the beginning of the year to 83.13%. The Bank was rewarded the "2014 Best China Mobile Bank Award" by China Financial Certification Authority ("**CFCA**"), the "2014 Golden Goblet Prize for Outstanding Innovation in Electronic Finance", the "2014 Great Wisdom Finance Award for Best Electronic Bank", the "2014 China Internet Finance Innovation Award", and etc.

Self-service banking. The Bank promoted the new generation of "Zi Zhu Tong", realising connection with the "multi-channel service platform" of Unionpay, and it introduced the innovative function which allows customers to get the card back when the card was swallowed by cash self-service machine at all time. The number of self-service machine increased by 3,048 to more than 27,000 in total and the number of self-service bank increased by 1,029 to 13,700 in total in 2014. The ratio of self-service bank to branch outlet increased to 1.27:1. The transaction number of self-service banking increased by 1.47% as compared with the prior year to 688 million, while the transaction amount increased by 10.57% as compared with the prior year to RMB1.36 trillion. 319 Intelligent Teller Machines (iTM) have been promoted across the Bank.

Online banking. The Bank integrated the three versions of personal E-banking (SMS PIN code version, standard version and certificate version have merged into one), to optimise customer experience. The bank fully implemented the smart web shield, to improve transaction security. As at the end of the Reporting Period, corporate E-banking customers increased by 13.79% from the beginning of the year, and the number of corporate E-banking transactions increased by 54.33% as compared with the prior year to 321 million. Personal E-banking customers increased by 22.84% from the beginning of the year, and the number of personal E-banking transactions (excluding mobile banking transactions) increased by 67.06% as compared with the prior year to 1.131 billion.

Mobile banking. The Bank kept the advantage of mobile financial products and fully completed the construction of the second generation of mobile banking. The bank expanded social platform banking services by launching WeChat bank, Easy-forex bank and Alipay public account, to provide convenient service to customers. As at the end of Reporting Period, the number of mobile banking customers of the Bank increased by 56.5% from the beginning of the year. The transaction number of the mobile banking increased year-on-year by 99.17% to 125 million. The transaction amount of the mobile banking increased on a year-on-year basis by 28.69% as to RMB1.13 trillion.

E-commerce. The Bank launched different personalised service solutions for large corporate customers in railway cargo transportation and shipping industries, to effectively meet the specific needs of customers. As at the end of the Reporting Period, the number of e-payment merchants reached 23,000. The transaction number of e-payment increased year-on-year by 88.78% to 959 million, while the amount increasing by 203.61% to RMB293.257 billion.

(3) Relationship manager

The Bank continued the construction of relationship manager team, broadened the development room of relationship managers and enhanced the education and training of relationship managers, achieving the increase in both the number and abilities of relationship managers. As at the end of the Reporting Period, the number of relationship managers in domestic branches increased by 4.36% from the beginning of the year to 22,680 in total, among which, the number of the corporate relationship managers increased by 3.06% from the beginning of the year to 10,000 while retail relationship managers increased by 5.40% from the beginning of the year to 12,680. The number of employees with a Master's degree or above increased by 6.7% on a year-on-year basis to 2,311, while the number of employees with a Bachelor's degree or above increased by 12.8% on a year-on-year basis to 18,955.

5. *Internationalisation and universal operation*

(1) Internationalisation strategy

- In 2014, net profits of Group's overseas banking entities increased by 29.36% on a year-on-year basis to RMB3.622 billion, accounted for 5.50% of the Group's net profits, which increased by 1.01 percentage points on a year-on-year basis.

- As at the end of the Reporting Period, the total assets of the Group's overseas banking entities increased by 18.79% from the beginning of the year to RMB617.552 billion, accounted for 9.85% of the Group's total assets, representing an increase of 1.13 percentage points from the beginning of the year.

- As at the end of the Reporting Period, the balance of the impaired loans balance in the Group's overseas banking entities increased by 24.05% from the beginning of the year to RMB196 million, and the impaired loan ratio increased by 0.01 percentage point from the beginning of the year to 0.07%.

In 2014, the Group continued to promote the internationalisation strategy which further improved the domestic and overseas integrated services, gradually improved overseas service network and pushed forward the rapid development of core businesses such as domestic and overseas synergy business, cross-border RMB business and offshore services. As a result, the cross-border financial service was enhanced in all aspects.

Overseas service network

In November 2014, the representative office was opened in Toronto. As at the end of the Reporting Period, the Group set up 12 branches or subsidiaries in Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, London, Sydney, San Francisco and Taipei, with a representative office and total 54 overseas operating locations (excluding the representative office). In addition, subsidiary in Luxembourg and tier-2 branch in Brisbane are undergoing active preparation. The Bank established agency relationship with 1,658 banks in over 142 countries and regions. The Bank signed RMB settlement agreements with 119 banks in over 27 countries and regions, and set up 216 cross-border RMB inter-bank accounts as well as 72 foreign currency settlement accounts in 17 currencies with 56 overseas financial institutions in over 24 countries and regions.

Domestic and overseas synergy business

The Bank continuously enriched contents of domestic and overseas synergy business and actively built up the global financial service platform and global wealth management platform. The Bank also integrated resource advantages, such as domestic and overseas branches, offshore finance and subsidiaries, and were driven by two wheels, which were "Trade + Capital", to provide quality financial services integrating domestic and overseas services such as cross-border trade settlement and financing, foreign financing, investment and merger and acquisition, domestic and overseas business consultation and so on. During the Reporting Period, the total transaction amount of the synergy business was USD50.740 billion and its accumulated revenue was RMB6.078 billion, representing a year-on-year increase of 30.04%.

Cross-border RMB transaction

Successfully being appointed as a clearing bank of RMB Business in Seoul, the Bank conducted its clearing business stably and orderly, with better comprehensive competence of overseas entities. As the first bank to use the funds under the China and South Korea currency swap agreement, the Bank successfully issued the first "China-Singapore" cross-border RMB loan to serve the development of real economy. The Bank released a financial service brand, "Rong Yuan Tong", to provide a full series of cross-border RMB financial services in all aspects for customers. The Bank succeeded in first time capital transfer of FT accounts and businesses such as RMB-denominated overseas borrowing and RMB-denominated foreign debts within Shanghai FTZ, constantly pushing forward cross-border usage and innovation of RMB in FTZ. The Bank constantly simplified procedures of RMB business for purposes of free and convenient trade and investment. During the Reporting Period, the transaction amount of the cross-border RMB settlement by domestic and oversea banking institutions increased by 20.87% on a year-on-year basis to RMB1,099.737 billion.

Offshore financial services

Taking advantage of the offshore business, the Bank absorbed overseas low cost capitals and enhanced risk control in several ways, by means of intra-group business synergy and emphasis on trade financing and refinancing. The Bank reinforced the customer foundation and put great emphasis on the classification management and stratified services to customers, in order to raise the quantity and quality of customer clusters. As at the end of the Reporting Period, the total amount of offshore assets increased by 6.87% from the beginning of the year to USD12.718 billion. The total number of offshore customers increased by 31.55% from the beginning of the year. Both offshore trade financing and international settlement were the first in terms of volume among its peers.

(2) Universal operation

- In 2014, net profits attributable to the parent company from the subsidiaries (excluding Bank of Communications (UK) Co., Ltd.) amounted to RMB1.975 billion, representing a year-on-year decrease of 8.48%, the proportion of which to the net profit of the Group decreased by 0.46 percentage point to 3.00% on a year-on-year basis.

- As at the end of the Reporting Period, the total assets of the subsidiaries (excluding Bank of Communications (UK) Co., Ltd.) increased by 30.16% from the beginning of the year to RMB159.451 billion, the proportion of which to the total assets of the Group increased by 0.48 percentage point to 2.54% from the beginning of the year.

- During the Reporting Period, the total amount of social financing provided by the subsidiaries was RMB433.725 billion.

Based on the business synergy model of "Sector + Segment + Subsidiary", the Group upgraded the three major abilities of the subsidiaries, development, synergy and competitiveness, focusing on building three special features which were in business based on transaction volume, aviation and shipping finance as well as wealth management. In addition, the Group deepened strategic collaboration and sharpened the edge in the corresponding industries in order to enhance the market status and profit contribution, and strengthen cross-border, cross-industry and cross-market operating ability and service capabilities. Subsidiaries actively played the role of investing and financing channel and product innovation entity. They also fully blended with the Group's products, and created a large number of returns to core business of the Group together with their own increased in profits and scales.

— BoCOM Leasing innovated and expanded the Renminbi and foreign currency financing channels. It has issued US dollar and Renminbi bonds and the first asset-backed securities in China's financial leasing industry, and became the first non-bank financial institution succeeding in signing a contract regarding cross-border Renminbi-denominated overseas borrowing. BoCOM Leasing vigorously promoted the aviation leasing business with the fleet size of 76 aircraft, stably ranked the top three among domestic counterparties. As at the end of the Reporting Period, increase in asset balance and growth of net profit were ranked the top three in the industry, and total leasing asset balance amounted to RMB110.502 billion, representing an increase of 23.96% from the beginning of the year.

— BoCOM International Trust was granted licence for offshore wealth management trustee business, and established the first family wealth management trust. By developing securitisation business on credit assets, BoCOM International Trust became a trust company experienced in issuing both residential mortgage-backed security (RMBS) and collateralised debt obligation (CLO) products. As at the end of the Reporting Period, trust asset increased by 40.66% from the beginning of the year to RMB399.047 billion. The trust compensation rate and the ratio of impaired proprietary assets both remained zero. BoCOM International Trust continued to be awarded the "Outstanding Trust Company" by *Shanghai Securities News*, remained one of the nationwide top 10 trust companies.

— Business diversification strategy of BoCom Schroder has witnessed initial effective results. As at the end of the Reporting Period, BoCom Schroder's AUM increased by 218% from the beginning of the year to RMB191.758 billion. Performance of parts of public equities stood out. For instant BoCom Alpha was ranked the top 5 among funds of the same kind, BoCom Theme and BoCom 180 Governance ETF were ranked top 1/10 among funds of the same kind. Domestic asset management subsidiaries positively blended into the Group's wealth management strategy division to provide comprehensive asset management across primary and secondary markets. As at the end of the Reporting Period, the AUM reached RMB129.610 billion.

— BoCommLife Insurance actively got involved in the Group's business system. Insurance policy "BoCom An Dai" which was developed together with the Group achieved sum assured of RMB7.429 billion, and the group accident insurance "BoCom Le Ye" for corporate customers achieved sum assured of RMB56.153 billion. As at the end of the Reporting Period, the realised original premium income increased by 96.43% on a year-on-year basis to RMB2.640 billion.

— With increasing market influence, BoCOM International Trust was awarded by Hexun as Best Chinese-Funded Investment Bank in Hong Kong and Best Brand Broker in Hong Kong, and by Zero2IPO Group as one of Top 10 Lead Managers for Overseas Listed Chinese Enterprises. Acknowledged by professional investment institutions and financial media, the research strength of BoCOM International Trust, in several industries such as strategy, consumption goods and necessities, was highly ranked by *Asia Money* in 2014.

— BoCOM Insurance's premium growth rate and net compensation rate were better than the market average. During the Reporting Period, BoCOM Insurance was ranked A by A.M.Best, an international authoritative insurer rating institution.

— Rural banks achieved a steady growth in their business, and actively supported the development of local economy. As at the end of the Reporting Period, total assets of the four rural banks decreased by 3.65% from the beginning of the year to RMB5.777 billion. During the Reporting Period, their net profits increased by 7.92% on a year-on-year basis to RMB109 million.

II. Financial Statements Analysis

1. Analysis on major income statement items

(1) Profit before tax

During the Reporting Period, the Group's profit before tax increased by RMB5.018 billion, equivalent to a 6.28% increase on a year-on-year basis, reaching RMB84.927 billion. Profit before tax was mainly derived from net interest income and net fee and commission income.

The table below illustrates selected items which contribute to the Group's profit before tax for the periods indicated:

(in millions of RMB)

	2014	2013
Net interest income	**134,776**	130,658
Net fee and commission income	**29,604**	25,968
Impairment losses on loans and advances to customers	**(20,439)**	(18,410)
Profit before tax	**84,927**	79,909

(2) Net interest income

During the Reporting Period, the Group's net interest income increased by RMB4.118 billion on a year-on-year basis to RMB134.776 billion. This accounted for 75.45% of the Group's net operating income and was a major component of the Group's income.

The table below shows the average daily balances, associated interest income and expenses, and annualised average yield or annualised average cost of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated:

(in millions of RMB unless otherwise stated)

	For the twelve months ended 31 December 2014			For the twelve months ended 31 December 2013		
	Average balance	**Interest income/(expense)**	**Annualised average yield/(cost) (%)**	Average balance	Interest income/ (expense)	Annualised average yield/ (cost) (%)
Assets						
Balances with central banks	**838,772**	**13,074**	**1.56**	798,207	12,581	1.58
Due from banks and other financial institutions	**495,386**	**18,881**	**3.81**	424,267	15,358	3.62
Loans and advances to customers and receivables	**3,400,175**	**211,400**	**6.22**	3,179,693	194,847	6.13
Include: Corporate loans and receivables	**2,500,848**	**151,990**	**6.08**	2,449,486	147,106	6.01
Individual loans	**787,991**	**54,564**	**6.92**	641,576	44,000	6.86
Discount bills	**111,336**	**4,846**	**4.35**	88,631	3,741	4.22
Investment securities	**1,085,207**	**45,154**	**4.16**	944,953	36,506	3.86
Total interest-bearing assets	**5,720,454**[3]	**285,283**[3]	**4.99**	5,193,648[3]	254,177[3]	4.89
Total non-interest-bearing assets	**234,279**			198,804		
Total assets	**5,954,733**[3]			5,392,452[3]		
Liabilities and Shareholders' Equity						
Due to customers	**3,984,424**	**93,826**	**2.35**	3,764,700	80,671	2.14
Include: Corporate deposits	**2,681,507**	**62,274**	**2.32**	2,519,241	54,233	2.15
Individual deposits	**1,302,917**	**31,552**	**2.42**	1,245,459	26,438	2.12
Due to banks and other financial institutions	**1,304,396**	**54,341**	**4.17**	1,110,862	44,028	3.96
Debt securities issued and others	**143,510**	**5,566**	**3.88**	102,133	3,935	3.85
Total interest-bearing liabilities	**5,333,244**[3]	**150,507**[3]	**2.82**	4,824,223[3]	123,519[3]	2.56
Shareholders' equity and non-interest bearing liabilities	**621,489**			568,229		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,954,733**[3]			5,392,452[3]		
Net interest income		**134,776**			130,658	
Net interest spread[1]			**2.17**[3]			2.33[3]
Net interest margin[2]			**2.36**[3]			2.52[3]
Net interest spread[1]			**2.23**[4]			2.40[4]
Net interest margin[2]			**2.42**[4]			2.58[4]

Notes:

1. This represents the difference between the annualised average yield on total average interest-bearing assets and the annualised average cost of total average interest-bearing liabilities.

2. This ratio represents the net interest income to total average interest-bearing assets.

3. This excludes the impact of wealth management products.

4. This excludes the impact of wealth management products and takes into account the tax exemption on the interest income from investments in government bonds.

During the Reporting Period, the Group's net interest income increased by 3.15% on a year-on-year basis. However, due to the gradual acceleration of interest rate liberalisation, the net interest spread and net interest margin has both decreased by 16 basis points, on a year-on-year basis to 2.17% and 2.36% respectively.

The table below illustrates the impact of changes in balances and interest rates on the Group's interest income and interest expense. The changes are based on the changes in average daily balance and interest rates on interest-bearing assets and interest-bearing liabilities.

(in millions of RMB)

	Comparison between 2014 and 2013 Increase/(decrease) due to		
	Balance	**Interest rate**	**Net increase/ (decrease)**
Interest-bearing assets			
Balances with central banks	641	(148)	493
Due from banks and other financial institutions	2,575	948	3,523
Loans and advances to customers and receivables	13,516	3,037	16,553
Investment securities	5,414	3,234	8,648
Changes in interest income	22,146	7,071	29,217
Interest-bearing liabilities			
Due to customers	4,702	8,453	13,155
Due to banks and other financial institutions	7,664	2,649	10,313
Debt securities issued and others	1,593	38	1,631
Changes in interest expense	13,959	11,140	25,099
Changes in net interest income	8,187	(4,069)	4,118

During the Reporting Period, the Group's net interest income increased by RMB4.118 billion on a year-on-year basis, of which the increase of RMB8.187 billion was due to changes in the average balances of assets and liabilities, while the decrease of RMB4.069 billion was due to changes in the average rate of return and average cost ratio.

① *Interest income*

During the Reporting Period, the Group's gross interest income increased by RMB29.217 billion, equivalent to increase of 11.27% on a year-on-year basis to RMB288.509 billion.

A. Interest income from loans and advances to customers and receivables

Interest income from loans and advances to customers and receivables was accounted for the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers and receivables increased by RMB16.553 billion, equivalent to increase of 8.50% on a year-on-year basis to RMB211.400 billion. This is largely due to the increase in the average balance of loans and advances to customers and receivables.

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by RMB8.648 billion, equivalent to an increase of 23.69% on a year-on-year basis to RMB45.154 billion. This was due to the Group's continuous improvement on the allocation of bond investment structure, which led to a year-on-year increase of 30 basis points on the average yield of investment securities.

C. Interest income from balances with central banks

The balances with central banks mainly included balances in statutory reserves and in excess reserves. During the Reporting Period, the average interest income balances with central banks increased by RMB493 million, equivalent to an increase of 3.92% on a year-on-year basis to RMB13.074 billion. The growth of the average interest income balances with central banks was primarily due to the year-on-year increase in average customer deposits by 5.08%.

D. Interest income from balances due from banks and other financial institutions

Total interest income from balances due from banks and other financial institutions increased by RMB3.523 billion, equivalent to an increase of 22.94% on a year-on-year basis to RMB18.881 billion. This was driven by the increase in the scale of the Group's interbank transactions, which was raised by 16.76% on a year-on-year basis.

② *Interest expense*

During the Reporting Period, the Group's interest expense increased by RMB25.099 billion, equivalent to an increase of 19.51% on a year-on-year basis to RMB153.733 billion.

A. Interest expense on balances due to customers

Customer deposits were the Group's main source of funding. During the Reporting Period, interest expense on customer deposits increased by RMB13.155 billion, equivalent to an increase of 16.31% on a year-on-year basis to RMB93.826 billion. Such component accounted for 61.03% of total interest expense. The increase in interest expense on customer deposits was mainly due to an increase in deposit scale and under the influence of interest rate liberalisation, which led to the year-on-year average cost ratio increased by 21 basis points.

B. Interest expense on balances due to banks and other financial institutions

During the Reporting Period, interest expense on balances due to banks and other financial institutions increased by RMB10.313 billion, equivalent to an increase of 23.42% on a year-on-year basis to RMB54.341 billion. This is mainly due to the year-on-year increase in average cost ratio by 21 basis points.

C. Interest expense on bond issuance and others

During the Reporting Period, the interest expense on bond issuance and other interest bearing liabilities increased by RMB1.631 billion, equivalent to an increase of 41.45% on a year-on-year basis to RMB5.566 billion. This is mainly due to a year-on-year increase in average balance of bond issuance by 40.51%.

(3) Net fee and commission income

Net fee and commission income was a major component of the Group's net operating income. During the Reporting Period, the Group had continuously accelerated the transformation of its profit-making model and moved towards a business model with diversified revenue streams. The Group's net fee and commission income increased by RMB3.636 billion, equivalent to an increase of 14.00% on a year-on-year basis to RMB29.604 billion. Management service and bank card business were the main drivers of the Group's intermediary businesses.

The table below illustrates the major components of the Group's net fee and commission income for the periods indicated:

		(in millions of RMB)
	2014	2013
Settlement service	**2,480**	2,312
Bank cards	**10,424**	8,916
Investment banking	**7,643**	7,700
Guarantee and commitment	**3,588**	3,460
Management service	**6,417**	5,146
Agency service	**1,754**	1,533
Others	**608**	338
Total fee and commission income	**32,914**	29,405
Less: Fee and commission expense	**(3,310)**	(3,437)
Net fee and commission income	**29,604**	25,968

Fee income from settlement service was RMB2.480 billion, which is similar as last year.

Fee income from bank card services increased by RMB1.508 billion, equivalent to an increase of 16.91% on a year-on-year basis to RMB10.424 billion. This is mainly due to the substantial increase in card issuance, spending volume as well as transaction volume at self-service facilities.

Fee income from investment banking services was RMB7.643 billion, which is similar as last year.

Fee income from guarantee and commitment services increased by RMB128 million, equivalent to an increase of 3.70% on a year-on-year basis to RMB3.588 billion. This increase was mainly due to the rapid development of the off-balance sheet business such as guarantee.

Fee income from management services increased by RMB1.271 billion or 24.70% on a year-on-year basis to RMB6.417 billion, mainly driven by the increase in the fee income from assets custody services and wealth management products.

Fee income from agency services increased by RMB221 million or 14.42% on a year-on-year basis to RMB1.754 billion.

(4) Operating costs

The Group continuously enhanced cost management. During the Reporting Period, the Group's operating cost increased by RMB6.670 billion, equivalent to an increase of 14.09% on a year-on-year basis to RMB54.020 billion, while its cost-to-income ratio was 30.52%, representing a year-on-year increase of 0.84 percentage point.

(5) Impairment losses on loans and advances to customers

During the Reporting Period, the Group's impairment losses on loans and advances to customers increased by RMB2.029 billion, equivalent to an increase of 11.02% on a year-on-year basis to RMB20.439 billion. The increase in impairment loss comprised of (1) collective assessment increased by RMB1.905 billion on a year-on-year basis to RMB9.006 billion; and (2) individual assessment increased by RMB124 million on a year-on-year basis to RMB11.433 billion. During the Reporting Period, credit cost ratio increased by 0.04 percentage point on a year-on-year basis to 0.60%.

(6) Income tax

During the Reporting Period, the Group's income tax expense increased by RMB1.444 billion, equivalent to an increase of 8.28% on a year-on-year basis to RMB18.892 billion. The effective tax rate of 22.24% is lower than the statutory tax rate of 25%, which is mainly due to the tax exemption on interest income from national bonds and local government bonds held by the Group, as referred to the relevant tax provisions.

The table below illustrates the Group's current tax and deferred tax for the periods indicated:

(in millions of RMB)

	2014	2013
Current tax	**19,560**	20,846
Deferred tax	**(668)**	(3,398)

2. *Analysis on major balance sheet items*

(1) Assets

As at the end of the Reporting Period, the Group's total assets were RMB6,268.299 billion, representing an increase of RMB307.362 billion, equivalent to an increase of 5.16% from the beginning of the year.

The table below illustrates the outstanding balances (after impairment allowances) of the principal components of the Group's total assets and their proportion to the total assets as at the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2014		31 December 2013	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customers	**3,354,787**	**53.52**	3,193,063	53.57
Investment securities	**1,162,876**	**18.55**	1,070,677	17.96
Cash and balances with central banks	**938,055**	**14.97**	896,556	15.04
Due from banks and other financial institutions	**525,033**	**8.38**	566,429	9.50
Total assets	**6,268,299**		5,960,937	

① *Loans and advances to customers*

During the Reporting Period, the Group reasonably controlled the amount, direction and pace of credit disbursements, which brought a balanced and steady growth in loans. As at the end of the Reporting Period, the Group's total loans and advances to customers were RMB3,431.735 billion, which represents an increase of RMB165.367 billion, or 5.06% from the beginning of the year, among which the increase in RMB loans from domestic branches amounted to RMB186.072 billion or 6.53% from the beginning of the year.

Loans concentration by industry

During the Reporting Period, the Group actively supported the upgrade of industrial structure and boosted the optimisation of its own business structure.

The table below illustrates the distribution of the Group's loans and advances to customers by industry as of the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2014		31 December 2013	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Mining	**98,886**	**2.88**	92,180	2.82
Manufacturing				
— Petroleum and chemical	**120,727**	**3.52**	118,958	3.64
— Electronics	**77,856**	**2.27**	62,278	1.91
— Steel	**38,760**	**1.13**	41,342	1.27
— Machinery	**110,486**	**3.22**	115,893	3.55
— Textile and clothing	**39,389**	**1.15**	40,757	1.25
— Other manufacturing	**237,455**	**6.92**	251,127	7.69
Electricity, gas and water production and supply	**132,234**	**3.85**	132,942	4.07
Construction	**107,521**	**3.13**	106,004	3.25
Transportation, storage and postal service	**388,980**	**11.33**	386,822	11.84
Telecommunications, IT services and software	**12,291**	**0.36**	10,445	0.32
Wholesale and retail	**333,003**	**9.70**	391,772	11.99
Accommodation and catering	**30,536**	**0.89**	26,708	0.82
Financial services	**45,693**	**1.33**	32,593	1.00
Real estate	**207,566**	**6.05**	201,300	6.16
Services	**233,905**	**6.82**	206,910	6.33
Water conservancy, environmental and other public utilities	**138,903**	**4.05**	130,777	4.00
Education, science, culture and public health	**59,833**	**1.74**	49,174	1.51
Others	**74,806**	**2.18**	56,633	1.73
Discounted bills	**74,548**	**2.17**	60,443	1.85
Total corporate loans	**2,563,378**	**74.69**	2,515,058	77.00
Mortgage loans	**529,871**	**15.44**	458,356	14.03
Credit card overdraft	**223,593**	**6.52**	163,969	5.02
Medium-term and long-term personal business loans	**67,253**	**1.96**	58,548	1.79
Short-term personal business loans	**14,365**	**0.42**	24,539	0.75
Car loans	**1,084**	**0.03**	1,976	0.06
Others	**32,191**	**0.94**	43,922	1.35
Total personal loans	**868,357**	**25.31**	751,310	23.00
Gross amount of loans and advances to customers before impairment allowances	**3,431,735**	**100.00**	3,266,368	100.00

As at the end of the Reporting Period, the balances of the Group's corporate loans increased by RMB48.320 billion, equivalent an increase of 1.92% from the beginning of the year to RMB2,563.378 billion. The four most concentrated industries were manufacturing, transportation, storage and postal service and wholesale and retail business and services industries, which accounted for 61.66% of total corporate loans.

As at the end of the Reporting Period, the balances of the Group's personal loans increased by RMB117.047 billion or 15.58% from the beginning of the year to RMB868.357 billion. The proportion of personal loans as a percentage to total loans and advances to customers increased by 2.31 percentage points from the beginning of the year to 25.31%.

Loan concentration by borrowers

As at the end of the Reporting Period, the largest single borrower of the Group accounted for 1.50% of the Group's net capital, and the total loans of top 10 customers accounted for 11.46% of the Group's net capital, which were in compliance with the regulatory requirements.

The table below illustrates the loan balances to the top 10 single borrowers of the Group as at the dates indicated:

(in millions of RMB unless otherwise stated)

		31 December 2014	
	Type of industry	**Loan balances**	**Percentage of total loans and advances** (%)
Customer A	Transportation, storage and postal service	8,782	*0.26*
Customer B	Others	7,593	0.22
Customer C	Transportation, storage and postal service	7,177	0.21
Customer D	Water conservancy, environmental and other public utilities	7,134	0.21
Customer E	Manufacturing	6,954	0.20
Customer F	Transportation, storage and postal service	6,663	0.19
Customer G	Transportation, storage and postal service	6,326	0.18
Customer H	Services	5,724	0.17
Customer I	Services	5,344	0.16
Customer J	Water conservancy, environmental and other public utilities	5,270	0.15
Total		66,967	1.95

Loan concentration by geographical locations

The Group's credit customers are mainly located in the Yangtze River Delta, the Bohai Rim Economic Zone and the Pearl River Delta. As at the end of the Reporting Period, the proportion of loans and advances to customers in these three regions accounted for 32.16%, 21.06% and 7.46%, respectively. The loan balance increased by 2.88%, 8.30% and 2.47%, respectively from the beginning of the year.

Loan quality

As at the end of the Reporting Period, the impaired loans ratio was 1.25%, representing an increase of 0.20 percentage point from the beginning of the year. The provision coverage ratio of impaired loans decreased by 34.77 percentage points from the beginning of the year to 178.88%.

The table below illustrates certain information on the Group's impaired loans and loans overdue by more than 90 days as at the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2014	31 December 2013
Impaired loans	**43,017**	34,310
Loans overdue by more than 90 days	**44,614**	31,814
Percentage of impaired loans to gross amount of loans and advances to customers (%)	**1.25**	1.05

Loan customer structure

As at the end of the Reporting Period, and according to the Bank's internal risk rating system, the loans and advances to corporate customers by domestic branches of class 1 to class 8 accounted for 91.19% of total loans and advances to corporate customers and decreased by 2.24 percentage points from the beginning of the year. Loans and advances to corporate customers of class 9 to class 12 accounted for 4.59% and increased by 0.88 percentage point from the beginning of the year. Loans and advances to corporate customers in default category accounted for 1.59% and increased by 0.58 percentage point from the beginning of the year.

② *Investment securities*

As at the end of the Reporting Period, the Group's net balance of investment securities increased by RMB92.199 billion or 8.61% from the beginning of the year to RMB1,162.876 billion. Return on investment securities reached a relatively satisfactory level of 4.16%, which is due to the Group benefiting from the reasonable allocation and continuous optimisation of the investment structure.

Distribution of the Group's investment securities

The table below illustrates the distribution of the Group's investment securities by financial asset classification for the purpose of holding and by type of issuers as of the dates indicated:

– By financial asset classification for the purpose of holding

(in millions of RMB unless otherwise stated)

	31 December 2014		31 December 2013	
	Balance	**Proportion**	Balance	Proportion
		(%)		(%)
Financial assets at fair value through profit or loss	**105,702**	**9.09**	59,083	5.52
Investment securities – loans and receivables	**211,588**	**18.20**	119,726	11.18
Investment securities – available-for-sale	**210,016**	**18.06**	221,253	20.66
Investment securities – held-to-maturity	**635,570**	**54.65**	670,615	62.64
Total	**1,162,876**	**100.00**	1,070,677	100.00

– By type of issuers

(in millions of RMB unless otherwise stated)

	31 December 2014		31 December 2013	
	Balance	**Proportion**	Balance	
	(%)		(%)	(%)
Governments and central banks	**345,199**	**29.68**	319,452	29.84
Public sector entities	**20,119**	**1.73**	18,363	1.72
Banks and other financial institutions	**425,079**	**36.56**	450,323	42.05
Corporate entities	**372,479**	**32.03**	282,539	26.39
Total	**1,162,876**	**100.00**	1,070,677	100.00

As at the end of 2014, financial bonds held by the Group amounted to RMB425.079 billion, which includes policy bank bonds of RMB299.879 billion, and banks and non-bank financial institutions bonds of RMB125.200 billion, accounting for 70.55% and 29.45% respectively of the total balance.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond names	**Face value**	**Annual interest rate** (%)	**Maturity date**	**Impairment allowance**
2011 banks and non-bank financial institutions bond	5,000	5.50	26/10/2021	–
2014 policy bank bond	4,000	5.98	18/08/2029	–
2012 banks and non-bank financial institutions bond	3,800	4.70	29/06/2022	–
2012 policy bank bond	3,500	4.30	14/02/2017	–
2013 banks and non-bank financial institutions bond	3,200	4.95	17/06/2023	–
2012 policy bank bond	3,000	4.20	28/02/2017	–
2013 policy bank bond	3,000	3.89	10/01/2016	–
2013 policy bank bond	2,900	4.16	10/01/2018	–
2013 policy bank bond	2,800	4.10	26/02/2020	–
2014 banks and non-bank financial institutions bond	2,600	5.00	08/12/2015	–

(2) Liabilities

As at the end of the Reporting Period, the Group's total liabilities increased by RMB255.241 billion or 4.61% from the beginning of the year to RMB5,794.694 billion. Among this balance, customer deposits decreased by RMB128.165 billion from the beginning of the year, which accounted for 69.54% of total liabilities, and representing a decline of 5.52 percentage points from the beginning of the year. Balance due to banks and other financial institutions increased by RMB281.712 billion, equivalent to increase of 25.01% and accounted for 24.30% of total liabilities, which represents an increase of 3.96 percentage points from the beginning of the year.

Customer deposits

Customer deposits were the Group's main source of capital. As at the end of the Reporting Period, the Group's customer deposits balance decreased by RMB128.165 billion or 3.08% from the beginning of the year to RMB4,029.668 billion. In terms of the Group's customer structure, the proportion of corporate customer deposit accounted for 66.17%, representing a decrease of 1.22 percentage points from the beginning of the year. The proportion of personal deposits was 33.69%, representing an increase of 1.20 percentage points from the beginning of the year. In terms of deposit tenure, the proportion of time deposits increased by 3.01 percentage points from the beginning of the year to 48.09%, while the proportion of demand deposits decreased by 3.03 percentage points from the beginning of the year to 51.77%.

The table below illustrates the Group's corporate and personal deposits as of the dates indicated:

(in millions of RMB)

		31 December 2014	31 December 2013
Corporate deposits		**2,666,271**	2,801,769
Include:	Corporate demand deposits	**1,395,657**	1,382,914
	Corporate time deposits	**1,270,614**	1,418,855
Personal deposits		**1,357,902**	1,350,956
Include:	Personal demand deposits	**542,124**	491,353
	Personal time deposits	**815,778**	859,603

3. *Analysis on major cash flow items*

As at the end of the Reporting Period, the Group's cash and cash equivalents increased by RMB70.232 billion from the beginning of the year to RMB313.626 billion.

The net cash inflows from operating activities decreased by RMB89.468 billion on a year-on-year basis to RMB49.715 billion, mainly due to the decrease in the amount of cash inflow of customer deposits.

The net cash outflows from investing activities decreased by RMB148.141 billion on a year-on-year basis to RMB23.351 billion, mainly due to the decrease in net cash outflows from investment securities.

The net cash inflows from operating activities increased by RMB37.641 billion on a year-on-year basis to RMB43.698 billion, mainly due to the increase in the cash inflow from the issuance of bonds and certificates of deposit.

4. Segment analysis

(1) Operating results by geographical segments

The table below illustrates the profit before tax and net operating income from each of the Group's geographical segments for the periods indicated:

(in millions of RMB)

	2014		2013	
	Profit before tax	**Net operating income[1]**	Profit before tax	Net operating income[1]
Northern China[2]	**15,222**	**24,675**	12,266	22,741
North Eastern China[3]	**3,343**	**8,431**	3,416	7,267
Eastern China[4]	**25,334**	**63,595**	20,203	58,140
Central and Southern China[5]	**12,441**	**27,324**	15,090	29,171
Western China[6]	**7,284**	**14,424**	8,908	15,510
Overseas[7]	**6,202**	**9,340**	3,846	6,322
Head Office	**15,101**	**30,837**	16,180	25,919
Total[8]	**84,927**	**178,626**	79,909	165,070

Notes:

1. Includes net interest income, net fee and commission income, dividend income, net gains/(losses) arising from trading activities, net gains/(losses) arising from de-recognition of investment securities, insurance business income, share of result of an associate and other operating income.

2. Including the following provinces: Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia. (Same applies hereinafter)

3. Including the following provinces: Liaoning, Jilin, Heilongjiang. (Same applies hereinafter)

4. Including the following provinces: Shanghai (excluding Head Office), Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong. (Same applies hereinafter)

5. Including the following provinces: Henan, Hunan, Hubei, Guangdong, Hainan and Guangxi. (Same applies hereinafter)

6. Including the following provinces: Chongqing, Sichuan, Guizhou, Yunnan Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang and Tibet. (Same applies hereinafter)

7. Including Hong Kong, New York, Singapore, Seoul, Tokyo, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, London and Taipei, Bank of Communications (UK) Limited, representative office in Toronto and other subsidiaries. (Same applies hereinafter)

8. Including profit attributable to non-controlling interest.

(2) Deposits and loans and advances by geographical segments

The table below illustrates the Group's deposits and loans and advances balances by geographical segments as at the dates indicated:

(in millions of RMB)

	31 December 2014		31 December 2013	
	Deposit balances	**Loans and advances balances**	Deposit balances	Loans and advances balances
Northern China	**534,997**	**524,090**	704,233	517,921
North Eastern China	**235,562**	**177,888**	272,889	166,065
Eastern China	**1,543,041**	**1,235,779**	1,592,514	1,217,836
Central and Southern China	**950,701**	**638,822**	878,557	597,291
Western China	**469,019**	**348,089**	445,875	315,507
Overseas	**293,982**	**276,983**	261,751	279,242
Head Office	**2,366**	**230,084**	2,014	172,506
Total	**4,029,668**	**3,431,735**	4,157,833	3,266,368

(3) Operating results by business segments

The Group's four main business segments are: 1) corporate banking, 2) personal banking, 3) treasury business and 4) other business. The corporate banking segment was the primary source of profit for the Group, accounting for 66.19% of the Group's net profit before tax.

The table below illustrates the Group's total income from external parties and profit before tax from each of the Group's segments for the periods indicated:

(in millions of RMB)

	Total income from external parties		**Profit before tax**
	2014	2013	**2014**
Corporate banking	**153,204**	179,890	**56,214**
Personal banking	**105,312**	85,905	**6,611**
Treasury business	**70,392**	26,946	**20,661**
Other businesses	**6,761**	4,400	**1,441**
Total	**335,669**	297,141	**84,927**

5. *Capital adequacy ratio*

As at the end of Reporting Period, the Group started to use Advanced Measurement Approach to calculate capital adequacy in accordance with the *"Administrative Measures for the Capital Management of Commercial Banks (Trial)"* issued by the CBRC, in which the both corporate and retail credit risk exposure were assessed by the basic internal rating-based approach. The market risk was assessed by internal model method, and the operational risk was assessed by standardised approach.

The table below sets forth the Group capital adequacy ratios calculated pursuant to the "Administrative Measures for the Capital Management of Commercial Banks (Trial)" and "Administrative Measures for the Capital Adequacy Ratio of Commercial Banks" issued by the CBRC, respectively. The Bank's capital adequacy ratios have fulfilled the regulatory requirements.

(in millions of RMB unless otherwise stated)

31 December 2014

Pursuant to the "Administrative Measures for the Capital Management of Commercial Banks (Trial)" issued by the CBRC in calculation of relevant ratio[Note]

Item	The Group	The Bank
Net Core Tier 1 Capital	**470,456**	**449,898**
Net Tier 1 Capital	**470,466**	**449,898**
Net Capital	**584,502**	**563,985**
Core Tier 1 Capital Adequacy Ratio (%)	**11.30**	**11.14**
Tier 1 Capital Adequacy Ratio (%)	**11.30**	**11.14**
Capital Adequacy Ratio (%)	**14.04**	**13.96**

Pursuant to the "Administrative Measures for the Capital Adequacy Ratio of Commercial Banks" issued by the CBRC in calculation of relevant ratio

Item	The Group	The Bank
Core Capital Adequacy Ratio (%)	**11.02**	**10.97**
Capital Adequacy Ratio (%)	**13.94**	**13.80**

Notes:

1. Pursuant to the "Administrative Measures for the Capital Management of Commercial Banks (Trial)", the above calculation excluded Bocom Insurance and BoCommLife Insurance.

2. Upon the approval from regulatory authorities, the Group started to use the Advanced Measurement Approach for measurement of capital adequacy ratio from end of June 2014.

For further information on the Bank's capital measurement, please refer to the 2014 Capital Adequacy Ratio Report of Bank of Communications Co., Ltd. at the website of the Shanghai Stock Exchange, the website of the Hong Kong Stock Exchange or the official website of the Bank.

6. Leverage ratio

The Group

(in millions of RMB unless otherwise stated)

Calculated in accordance with "The Leverage Ratio Rules for Commercial Banks" which issued by CBRC(2011, No. 3)[Notes]

Item	**As at 31 December 2014**
Tier 1 capital	**472,816**
Deduction of tier 1 capital	**2,350**
Net tier 1 capital	**470,466**
Balance of adjusted on-balance sheet assets	**6,300,471**
Balance of adjusted off-balance sheet items	**1,418,426**
Balance of adjusted on- and off-balance sheet assets	**7,716,548**
Leverage ratio (%)	**6.10**

Notes:

1. Leverage ratio is calculated based on the relevant regulatory requirement, net tier 1 capital is consistent with the Group calculation of capital adequacy ratio.

2. Balance of adjusted on-balance assets includes derivatives and other on-balance assets shall be calculated according to the Current Exposure Method.

3. Unconditional revocable commitments on off- balance sheet and other off-balance sheet items shall be calculated applying the 10% credit conversion factor (CCF).

4. Balance of adjusted on- and off-balance sheet assets = Balance of adjusted on-balance sheet assets + Balance of adjusted off-balance sheet items – Deduction of tier 1 capital.

7. Other financial information

The relevant information disclosed below is set out in accordance with the requirements of the CSRC.

(1) Fair value measurement related items

The Group established a market risk management system under the ultimate responsibility and leadership of the Board of Directors. It established an internal control framework based on fair value measurement, in order to satisfy the relevant internal control and information disclosure requirements. It also gradually and orderly improved the systematic management of its market risk, by connecting all the relevant front, middle and back office departments and encompassing fair value acquisition, measurement, monitoring and verification. The Group will continue to learn from the experience of its peers and international best practices to further optimise its internal control system in connection with fair value measurement. The Group primarily uses quoted market prices as the fair value of financial instruments that are traded in active markets. For financial instruments that are not actively trade in the market. It used valuation models and observable market parameters or comparison to third party quotes, which are reviewed by the relevant risk management departments.

The table below illustrates the fair value measurement related items of the Group in 2014:

(in millions of RMB)

Item	Opening balance	Gains/ (Losses) on changes in fair value for the year	Cumulative fair value gains/(losses) recognised in equity	Impairment losses (accrued)/ reversed for the year	Closing balance
Financial assets					
1. Financial assets at fair value through profit or loss	59,083	1,089	–	–	105,702
2. Derivative financial assets	14,227	(3,571)	–	–	10,656
3. Available-for-sale financial assets	221,253	24	247	24	210,016
Total financial assets	**294,563**	**(2,458)**	**247**	**24**	**326,374**
Investment properties	194	5	–	–	7,276
Total	**294,757**	**(2,453)**	**247**	**24**	**333,650**
Total financial liabilities[Note]	**(28,640)**	**6,516**	**–**	**–**	**(36,234)**

Note: Including financial liabilities at fair value through profit or loss, derivative financial liabilities and debt securities issued.

(2) Guarantees and related commitments

	31 December 2014	31 December 2013
		(In millions of RMB)
Financial guarantees and credit related commitments	**1,534,527**	1,550,719
Include: Loan commitments and credit related commitments	**616,190**	491,287
Acceptances	**556,965**	612,830
Letters of guarantee	**310,500**	376,222
Letters of credit	**50,872**	70,380
Operating Lease commitments	**6,581**	7,738
Capital expenditure commitments	**9,287**	3,034

(3) Assets pledged

The Bank's assets pledged are mainly collateral under repurchase and short selling agreements with banks and other financial institutions. Save as disclosed above, there are no other significant assets pledged to be disclosed during the Reporting Period.

III. Risk Management

In 2014, facing the complex and austere risk situation, the Bank focuses on the risk management goals characterised by "full coverage, whole process, responsibility tracing and risk management culture." The Bank promoted further development of comprehensive risk management in a focused, routed, efficient and all-around manner to ensure stability of overall level of asset quality. All the risk management achieved positive results.

1. Risk appetite

The Board of Directors established "stability, balance, compliance and innovation" as the overall risk appetite of the Bank, and defined its risk tolerance from four dimensions of return, capital, quality and risk rating, and further set 23 detailed risk limit indicators in six risk areas concerning credit, market, operation, liquidity, interest rate, and country (economy) risk, in order to control the overall risk changes on a regular basis. To adapt and implement the business transformation and strengthen risk management requirements, the overdue asset of quasi-credit and wealth management business ratio, non-standard assets ratio and highly-liquid asset ratio were included in the risk tolerance system this year in order to strengthen the control towards the overall risk of credit business.

During the Reporting Period, the Bank determines to operate stably and lawfully through implementing the basic policies of risk management and Strengthen the constraints on the risk compliance baseline. The Bank fully implemented the risk prevention and control responsibility, striving to maintain a dynamic balance between risk and return to achieve a balanced development among business scale, quality and profitability. In 2014, the implementation of the Bank's overall risk appetite was fair as all the indicators were controlled within the tolerance level, except the deterioration in loan provision rate and non-performing loans provisioning coverage ratio, all other risk limit indicators were controlled within limits.

As at the end of 2014, the Group's provision rate was 2.24% and non-performing loans provisioning coverage ratio was 178.88%, which were both below the targets set at the beginning of the year. The main reason was that the Bank was facing the asset quality pressures from economic downturn for the three period superimposed. The Bank therefore utilised the government policy on bulk disposal of non-performing loans, to increase amount written-off, actively expedited the disposal of non-performing loans, and utilised the provision for losses to improve non-performing loan structure. The Bank believes that realising the full risk exposure through increasing loans written-off; provision for impairment losses and accelerating of disposal of risky assets are in line with regulatory requirements for dynamic provisioning during the economic downturn. It is also effective to strengthen our asset quality and financial basis for reducing the impact from the economic restructuring to the Bank. The earlier we expose the risk and take measures, the more active and effective the operation and management will be.

2. *Risk management framework*

The Board of Directors has the ultimate responsibility and supreme decision-making authority for the Bank's risk managements monitors and controls the Bank-wide risk management matters through its delegation of the Risk Management Committee. The Bank's Senior Management established a "1+3+2" Risk Management Committee, which the Enterprise Risk Management Committee is dedicated to implementing the Board's risk management strategy and risk appetites, based on the principle of "going horizontal to the edges, going vertical to the bottom, and covering all aspects", to perfect the management system, to optimise the working system, to standardise the management policies, and to perform evaluations on the effectiveness of risk management function in an all-around way. Three sub-committees have been established under the Enterprise Risk Management Committee, namely the Credit Risk Management Committee, the Market and Liquidity Risk Management Committee, and the Operational Risk Management and Compliance (Anti Money-Laundering) Committee; two business review committees, namely the Credit/Non-credit Review Committee and the High-risk Assets Review Committee have also been established and performed their respective duties. Each tier-1 branch, overseas branch and subsidiary referenced to the aforementioned framework, according to the actual operation and management needs, correspondingly established simplified and practical risk management committees. The Bank ensured the full implementation of risk management procedures through the mechanism of "leadership and execution, supervision and reporting" between the Risk Management Committee and sub-committees, and among committees of the Head Office and branches, forming a unified and coordinated risk management system.

During the Reporting Period, the Bank further regulated the operation of each Risk Management Committee, strengthened decision-making and supervisory functions, discussed and examined more projects, promoted effective work deployment and implemented policies timely and precisely. In 2014, from the Head Office level, the Risk Management Committee and its sub-committees held 20 meetings, and more than 70 projects have been discussed and examined.

During the Reporting Period, the Bank focused on promoting business risk compliance constructions in small-scale middle offices, published specific opinions to standardise set-up of small-scale middle offices for business risk compliance, promoted 14 divisions, quasi-divisions and front offices of the Head Office to set up small-scale middle offices, and brought forward the business risk control. Moreover, the Bank established the risk management and constraint mechanism with assessment of internal management as a starting point, and deducted points during the performance assessment regarding irregular actions in operation and management, so as to tighten up risk management responsibility.

3. Risk management tool

The Bank valued great importance to the establishment and application of risk management tools, information systems and econometric models. During the Reporting Period, the Bank strengthened the ability to control credit risk by the big data searching technique, and enhanced monitoring of middle office over market risk, interest rate risk of banking book and liquidity risk, improved the role of risk management tool in business management, and strengthened real risk control over accounting risk, fraud risk and money laundering risk through information system so as to continuously improve the effectiveness of risk management.

The Bank innovated the way of data mining and information integration and enhanced the quality of risk control over assets. The Bank effectively integrated the great effect of big data on data mining and analysis with the Bank's traditional risk screening. Due to expanded business scope, scattered operation regions and innovated operation mode, the Bank actively changed its risk monitoring mode, got hold of explicit and implicit equity relationship, control relationship and related-party guarantee relationship in all respects, monitored information about enterprises' asset value, investing activities, cash flow and counter-parties from all directions in real-time, in order to acheive more accurate identification, positioning and warning of risks.

During the Reporting Period, the Bank's Advanced Measurement Approach had officially been approved by regulatory authorities, making the Bank one of the first batch of commercial banks implementing Advanced Measurement Approach at the Bank level and the Group level. This revealed that the risk measurement, risk management and capital management of the Bank had reached practice standards of international advanced banks. It was in a leading position domestically among all banks. The Bank had established a complete system for implementation of Advanced Measurement Approach, and obtained first-mover advantage in terms of policy procedure building, module developing and managing, data accumulation and specification, system design and implementation, business management and assessment application, independent verification and audit, professional training and many other areas. With the approval from regulatory authorities, the Bank can adopt primary internal rating-based approach for enterprise risk exposures, internal rating-based approach for retail risk exposures, internal model-based approach for market risks and standard approach for operation risks to measure capital requirements.

During the Reporting Period, the Group continued to optimise the econometric models and management systems which covered credit risk, market risk, operational risk and other risks. The Group consistently implemented monitoring and analysis of model operation, properly launched model optimisation, completed comprehensive and independent verification of credit and market risk econometric systems, consistently improving and upgrading the research and development of advanced methods, implemented stress tests, and extensively and deeply applied econometric results in customer access, quota management, risk monitoring and control as well as performance appraisal. The operation principle of "capital constraint business and the balance between risk and return" was further consolidated.

4. *Credit risk management*

Credit risk is one of the major risks that Bank faces, mainly contributed by loan business, treasury business, international business, on-balance-sheet wealth management and direct investment business. The Bank adopted stringent requirements on the management focusing on investment guidance, investigation and reporting, business review and approval, fund distribution, duration management, overdue non-performing loans management and other aspects, so that the Bank managed to contain the credit risk within an acceptable range to strike a balance between risk and return.

The Bank actively promoted the building of centralised credit granting management framework centering on "One BoCom for One Customer", so as to ensure the credit review covered traditional banking businesses as well as other transform and emerging business such as investment banking and wealth management. The Bank successfully completed the restructuring of retail loan business hierarchy, strengthened the front office retain loan sales' professionalism and pro-activeness, and improved independence and effectiveness of credit granting review and approval, and post-granting risk management. The Bank strengthened the coordination of the Group's risk management, forming a unified investment policy, accessing standards, management specification, risk response and action plans.

The Bank continued to refine and standardise credit investment to intensify support from the real economy. The Bank continued to maintain a high volume of credit disbursement, optimise the credit structure. The increased volume of main credit was mainly invested to fields in compliance with the characteristics of national economy and the transformation direction. The growth rates of loans in the aspect of safeguarding livelihood and upgrading consumption were higher than the average growth rate of all loans.

The Bank paid high attention to credit risks in key areas and continuously strengthened duration management. It implemented comprehensive investigation in key areas such as property, financing platform and guarantee chains (circles), determined potential risks, developed control and management measures and followed up the implementation. The Bank strengthened clustered risk management and control and implement one-to-one strategy for the Group's key risk customers. It implemented the "grey name list" management, with appropriate risk management strategy and active follow-up in order to improve the risk management and mitigate potential risks.

Moreover, the Bank deepened the mitigation of potential risks in key branches, making remarkable achievements in reducing the volume of high risk loans and obtaining sufficient buffer and restructuring projects. The Bank comprehensively strengthened the management of reducing the volume of high risk loans and obtaining sufficient buffer. In the whole year, it reduced credit loans of RMB74.9 billion and obtained credit loans of RMB52.3 billion. The special working group of the Head Office was directly responsible for mitigating risk customers of key branches, substantially reducing the balance to RMB11.7 billion of risk business of the aforementioned key branches in the whole year. The Bank increased the collateralisation ratio of the risk assets by adjusting and optimising the restructuring policy and strengthening the restructuring.

The Bank strengthened the disposal and termination of non-performing loans. Through utilising a variety of tactics, with key branches and significant projects as the focus, the Bank made efforts to strengthen the collection of non-performing loans by clarifying the key points and promoting work in all areas by drawing upon the experience gained on key points.

During the Reporting Period, the Bank anticipated the risk situation of credit assets in advance through stress tests. The Bank set the stress assumptions based on the decline growth rate of domestic GDP which are 7%, 6.75% and 6% respectively. The Bank carried out the stress tests in the beginning of 2014, which indicated that the non-performing loan ratios under three domestic GDP growth situations would exceed 1.5%, 2% and 3% respectively, and small enterprise loans, loans for corporate trade and credit card overdraft were seriously influenced. Therefore, in the year of 2014, the Bank further strengthened the restructuring of assets allocations and mitigation of risk loans, carried out aggregate volume management and control, reduced the volume of high risk loans and obtained sufficient buffer in the aspects of overcapacity industry and real estate, as well as steel trading and wholesale with prominent risks, and effectively alleviate the pressure of the assets through a series of targeted risk management and control measures including strengthening the collection of non-performing loans, loss write-off and bulk disposal.

According to the regulatory requirements as stipulated in the "*Guidelines on Risk-Based Loan Classification*" issued by the CBRC and the level of risk, the Bank implemented a five-category system on credit assets that includes pass, special mention, sub-standard, doubtful and loss, of which, the latter three categories, namely sub-standard, doubtful and loss are regarded as non-performing loan categories, which is based on the judgement on the possibility of repayment on principle and interest in a timely manner. For corporate credit assets, the Bank has relied on the core regulatory definition as the basis and references its internal assessment and individual impairment to define detailed risk attributes and measurement standards of the five categories. The Bank also ensured that sufficient consideration is given to the various factors affecting the quality of credit assets and prudent practices are carried out in risk classification. For retail credit assets (including credit cards), the Bank has adopted a five-category system based on the aging of overdue status and type of guarantees provided.

As at the end of 2014, the balance of non-performing loans of the Group was RMB43.017 billion/1.25%, increasing by RMB8.707 billion/0.20 percentage point from the beginning of the year. As at the end of 2014, the breakdown of the Group's five categories of loan classification stipulated by the Chinese banking regulatory authorities were as follows:

(in millions of RMB unless otherwise stated)

Categories	**31 December 2014** Balance	**31 December 2014** Proportion (%)	31 December 2013 Balance	31 December 2013 Proportion (%)	31 December 2012 Balance	31 December 2012 Proportion (%)
Pass	**3,296,815**	**96.07**	3,173,011	97.14	2,851,980	96.76
Special mention	**91,903**	**2.68**	59,047	1.81	68,324	2.32
Total performing loan balance	**3,388,718**	**98.75**	3,232,058	98.95	2,920,304	99.08
Sub-standard	**16,103**	**0.47**	13,778	0.42	13,269	0.46
Doubtful	**18,680**	**0.54**	13,586	0.42	9,793	0.33
Loss	**8,234**	**0.24**	6,946	0.21	3,933	0.13
Total non-performing loan balance	**43,017**	**1.25**	34,310	1.05	26,995	0.92
Total	**3,431,735**	**100.00**	3,266,368	100.00	2,947,299	100.00

In 2014, the Bank's migration rate of special-mentioned loan was increased as compared with the prior two years, which was mainly resulted from the increase of downward non-performing customers, revealing the current asset quality objectively.

Loan migration rates (%)	**2014**	2013	2012
Pass	**2.59**	1.58	2.00
Special mention	**24.43**	23.18	7.99
Sub-standard	**52.64**	37.02	36.61
Doubtful	**18.90**	17.96	22.63

Note: Data calculated pursuant to the "*Notice on the Distribution of the Regulatory Indicator and Calculation Formula for off Field Investigation*" issued by the CBRC.

In 2015, influenced by the macro-economic downturn and the "Three Period Superimposed", the bank will be subject to severe risk management and control situation and continue to maintain the asset quality for the reason that the risks will spread from industrial chain with overcapacity to upstream and downstream industries, from eastern coastal china to central and western China, from small and micro enterprises to large and medium enterprises.

5. Market risk management

The market risks exposed by the Bank primarily consist of interest rate risk and foreign exchange risk. Through establishing a market risk management system with clear duties and responsibilities, sound policies and procedures, comprehensive measurement system and timely monitoring and analysis, the Bank used quota management, risk hedging and a variety of methods to control the market risks within an acceptable range and maximised profit at the same time.

With regard to trading portfolios, the Bank conducted the Value at Risk (VaR) analysis, to measure and monitor potential position loss arising from changes in interest rates, exchange rates and other market prices. The Bank pro-actively implemented the market risk management strategy including using the historical simulation to calculate VaR of Renminbi and foreign currency trading portfolios (99% confidence interval, the holding period of 10 trading days), and monitoring the quota implementation of domestic and overseas branches every day. Regarding the interest rate risk of the banking book, the Bank conducted its monitoring activities via gap analysis and net interest income simulations. In addition, through stress testing, pricing management and asset allocations, the Bank strove to keep its risks under control.

Alerted by the recent default event such as the ultradian debt default event, in 2014, the Bank strengthened the investment and post-investment management of credit bonds and further improved counterparties' credit risk management. Although the two-way fluctuation of Renminbi exchange rate was widened in 2014, the Bank strictly implemented the foreign exchange exposure limit to ensure the foreign exchange risk was manageable and controllable.

6. Liquidity risk management

The Bank's liquidity risk management is aimed at full identification, effective measurement, continuous monitoring and proper control of the liquidity risks of the entire bank and its products, business lines, business links and institutions at all levels, so as to ensure the Bank has sufficient funds to carry out normal operations and perform matured debts and other payment obligations, whether in normal business environment or under stress. During the Reporting Period, the Bank prudently implemented the "*Administrative Rules on Liquidity Risk Management of Commercial Banks (Provisional)*" issued by the CBRC and continued with consolidation and improvement of liquidity risk management, achieving effective balance among security, liquidity and profitability.

The Bank continuously improved the liquidity risk system. According to the Administrative Rules on Liquidity Risk Management issued by the CBRC, the Bank established the related system based on the following three levels and formed a systematic liquidity risk management system, ensuring its guiding nature at the macro level and operational nature at the micro level. Firstly, the Board of Directors introduced the Liquidity Risk Management Policy, laying the foundation for a well-established liquidity risk management system that was compatible with the Bank's business scale, nature, complexity and risk status. Secondly, the Management evaluated and revised the Liquidity Risk Management Measures in response to the external regulatory requirements, internal structural set-up adjustment, the "one-click" settlement and the requirements for FTZ liquidity management. Thirdly, a series of specific measures were developed, including measures on liquidity risk management of classification and emergency plan of liquidity risk and Free Trade Accounting Unit, as well as provisional measures on management of liquidity risks of non-bank subsidiaries.

The Bank continued to strengthen the prospective analysis on macro-economic situation, monetary policy and market interest rate trend, and it carried out overall planning to improve the forecast of the positions of various businesses and communication effectiveness of temporary movement in funds in the daytime according to the anticipation of liquidity exposure, in combination with future business plans. It established and improved the liquidity management system, adjusted and optimised asset and liability structure and reinforced the monitoring, to smoothen the liquidity and actively improve profitability at the same time.

During the Reporting Period, the Bank took the following measures to proactively improve the liquidity risk management tools. The first thing was to improve the liquidity risk index system. It reviewed and formed the three-level liquidity risk index system which consists of the Board of Directors' liquidity risk preferences, the Management's liquidity risk index list, and the daily monitoring, early warning and limitation of risks. The second one was to use funds transfer pricing ("FTP") tool to balance the liquidity and profitability of funds. The Bank strengthened market research and judgment and business analysis, and increased the frequency of FTP adjustment to make FTP more market-oriented. The third thing was to organise liquidity risk emergency exercise based on the liquidity risk emergency plan, to remain acute in emergency response.

During the Reporting Period, the Bank successfully completed the building of liquidity risk-related system and project as follows. The first thing was to put the Renminbi fund management system for the second generation of payment into use successfully. On the one hand, multi-point settlement was changed to one-point settlement, improving the Bank's payment and settlement capabilities to a certain extent, which is conducive to increase customers' payment efficiency. On the other hand, full use was made of various liquidity risk management system tools, to effectively prevent and mitigate the Bank's liquidity risks. The second thing was to actively cooperate with and effectively carry forward the establishment of clearing bank of Renminbi Business in Seoul. After research, the Bank established the liquidity risk management system of clearing bank of Renminbi Business in Seoul, completed the modification of fund management system of the clearing bank and actively conducted the related business guidance and training, to effectively promote internationalisation of Renminbi on the basis of consolidating its own liquidity risk embankment.

7. *Operational risk management*

It is inevitable that the Bank bears operational risks, and it requires large-scale investments in order to carry on the effective management of operational risks. The Bank emphasises on reasonable control for the investment cost and opportunity cost of the operational risk management.

The Bank has established a set of unified management policy system for operational risk, which clarified operational risk management basis. It ensured and regulated the work process related to operational risks and the control of self-assessment, management of operational risk events and key risk indicators monitoring.

The Bank vigorously promoted the integration of operational risk management and business management. It continued to establish and improve the three-level assessment mechanism including the initial risk assessment over business cycles, and the self-assessment over key processes and re-assessment. It also involved identifying the weak controls and designed corresponding action plans to mitigate risks. The Bank enriched the key indicators of operation risk, forming a multi-level monitoring mechanism that covered the Head Office and branches and enhancing the capacity of warning risks such as external fraud. It improved the completeness of reporting and management of operational risk events, and continued to strengthen and follow up the implementation and rectification. With regard to issues occurred in operational risk events and in risk and control assessment, any problems reflected by changes in key risk indicators, or current important businesses, the Bank would continue to investigate the issue through typical cases analysis. The Bank aimed to identify any deficiencies in management, and proposed targeted rectification measures and pushed the optimisation of business procedures and management mechanism. The Bank assessed the Bank-wide outsourced risk management for the first time. It developed business continuity plan with regard to key business products all over the Bank and improved the Bank's ability of emergency management in response to business interruption. In virtue of system refinement, special inspections and optimisation procedures, the Bank effectively managed and controlled operational risks in key fields such as operation, personal finance, electronic bank, asset custody, wealth management and investment banking. The Bank developed management policy and basic methods to standardise the information technology risk management system.

The Bank continued to promote overseas institutions and subsidiaries including Hong Kong Branch, New York Branch, Bank of Communications (UK) Co., Ltd. and BoCOM International Trust to develop recovery and disposal plan in accordance with the requirements of local and the industry's regulatory authorities under the Group's plan framework, to effectively cope with various requirements of regulatory authorities in the course of cross-industry and cross-border operations, and improve the capacity for risk management and control of consolidated financial statements.

8. Legal compliance and anti-money laundering

The Bank strove to establish a sound legal compliance management system that runs smoothly, operates efficiently, manages across industries and borders, and provides a variety of methods and tools and high quality services in a highly compliant environment. The Bank also targeted to achieve a thorough management process of legal compliance including identification, prevention, monitoring, alert, settlement, resolution, inspection and supervision for legal and compliance risks, as well as to provide strong legal support and protection for the innovation, transformation and development of the Bank, making sure the compliance of the operation.

The Bank continued to improve the legal compliance management system and mechanism. It established a thorough process regarding compliance risk management and monitoring mechanism, which strengthened the compliance assessment and guidance regarding branches and subsidiaries home and abroad. The Bank standardised and intensified the whole Bank's seal management, and to foster the innovation of quasi-credit business, regulation interpretation, justice network examination and control, as well as experimental work on anti-money laundering. During the Reporting Period, the Bank was granted the honour of "Pioneer Enterprise of Nationwide Banks on Legal Risk Management" by the China Banking Association.

The Bank continued to strengthen the anti-money laundering management. It comprehensively searched and analysed the weak points of anti-money laundering and developed the Bank-wide improvement plan correspondingly. The Bank has launched experimental work on suspicious transactions and enhanced the money laundering risk management on cross-border business. The Bank implemented special investigation on terrorism and money laundering risk, and strengthened the terrorism financing risk prevention and promoted the construction of money laundering mechanism in FTZ.

9. *Reputational risk*

The Bank continued to improve the reputational risk management to effectively lower the risk of negative comments from stakeholders on the Bank caused by operational management, other behaviours and external events, and properly handled different types of reputational risk events.

The Bank continued to improve reputational risk management system and mechanism. The Bank would strengthen the recognition, warning, and assessment and monitoring of reputational risks. It aim to track and monitored the appearance and changes of the reputational risk factors in real time, promptly adjusted coping strategy and measures to make sure negative public opinions were actively responded and the reputational risk was under control.

10. *Cross-industry, cross-border and country risk management*

The Bank has established cross-industry, cross-border risk management system with "unified management, clarified responsibilities, complete system tools, IT support, risk quantification, and consolidation management". The Bank promoted subsidiaries and overseas banking entities, taking into account both the Group's unified requirements and their respective regulatory requirements during risk management, in order to prevent additional risks during cross-industry and cross-border operations.

As at the end of December 2014, country (economic unit) risk exposure of the Group after risk transfer was RMB398.747 billion. The country (economic unit) risk exposure accounted for 6.36% of total assets of the Bank, among which 62.41% were located in Hong Kong region. The country (economic unit) risks were controllable.

The Bank strengthened the Group's risk interaction management, and obtained remarkable achievements in the Group's collaboration risk management. It actively promoted the bank-leasing company risk control collaboration to form a management mode in compliance with the characteristics of bank-leasing company interaction. The Bank strengthened the cross-industry, cross-border information sharing, organised overseas branches and subsidiaries to participate in the Group's key risk investigation, and implemented the Group's risk monitoring and collaboration, as well as disposal collaboration. The Bank set forth country risk management policy, and strengthened country risk quota management.

During the Reporting Period, the Group did not detect any insider trading that would damage the sustainable operation in respect of regulatory arbitrage, risk transfer, transactions without genuine purposes and non-market-based approaches.

IV. Outlook

Looking forward to 2015, the domestic and overseas economic situation remains complicated and uncertain, the global economy is characterised by "slow growth, unbalance and riskier", and China's economic growth has come to such a new normal where "growth speed slows down, growth momentum changes and growth way changes". In 2015, the banking sector remains in a severe business environment where macro-economic growth slows down, interest rate liberalisation further speeds up, regulatory standards of the banking sector become increasingly stricter, the pressure on risk prevention and control is larger, and internet finance is emerging suddenly. Meanwhile, the transformation and upgrade of China's economy and further conduction of all reform measures direct the development of banking sector towards a new road, bringing new development opportunities. Development coexists with risks, and opportunities with challenges. Keeping a close eye on changes in economic situation, monetary policies, regulatory rules and market circumstances, the Group will be determined and confident to respond, take action and seek improvement with stability. Besides, the Group, driven by reform deepening and themed on transformation development, will seek new achievements in the new normal. To be specific, the key areas for the coming year are as follows:

Firstly, the Group shall adapt to the "New Normal" of economic development, grasp opportunities brought by national strategies, and constantly improve the service for the real economy. The Group shall seize opportunities brought by three national strategies, "One Belt and One Road", "Integration of Beijing-Tianjin-Hebei" and Yangtze River Economic Zone, make innovation in policies regarding regional credit development, assist in upgrade of industrial structure, and support state key projects and infrastructure construction. The Group shall maintain increase in aggregate amount of credit at an appropriate speed, and optimise the allocation model of credit resources. The Group shall greatly expand the credit-like innovation business to meet demands of real economy through several channels.

Secondly, the Group shall form a powerful development engine by pushing implementation of deep reform. The Group shall, by further deepening the reform of large commercial banks and carrying out performance remuneration mechanism, establish and improve development responsibility system of operating units at all level and improve risk accountability system. The Group shall take divisional structure reform as the breakout and core, to stimulate operating vitality and strengthen market competitiveness. The Group shall balance risks, gains and capital through shift of connotative operation model and growth pattern, and make efforts to achieved the development with low capital consumption and low cost growth.

Thirdly, the Group shall adhere to "BoCom Strategy" and enhance the cross-industry and cross market operating ability. Based on synergy between domestic and oversea branches, the Group shall comprehensively serve for the enterprises going global through good performance in businesses at home and abroad, related to domestic and foreign currencies, on and off shore, and in free trade zone, according to requirements of "One BoCom for One Customer". The Group shall, by exploring the new model of synergistic development between divisional structure and oversea branches, expand asset management, financial market and asset custody to foreign countries, so as to form a worldwide business operation coherent network. The Group shall arrange subsidiaries categorised as trust, asset management and investment banking as a whole, make good use of cross-border and cross-industry financing licences and exert the Group's synergistic effect, to form mutual complementarity with banking services.

Fourthly, the Group shall comprehensively intensify risk control and stick to the bottom line of risk. The Group shall constantly improve the comprehensive risk control system with "full coverage, whole process, responsibility tracing and risk management culture" as the core, push forward the reform of risk governance system, improve and optimise functions of procedures of risk control module, and establish the asset risk control system with all non-credit and off-balance-sheet exposures covered. The Group shall constantly move forward in restructuring credits and reducing the volume of high risk loans and obtaining sufficient buffer and restructuring, control risks well in key fields, and spare no efforts to stabilise asset quality, so as to enhance the risk control ability.

Fifthly, the Group shall drive the product innovation and service improvement by technological advantages. The Group shall comprehensively enhance the ability of product innovation and customer service by pushing forward the construction of new generation core business system, exerting advantages of big data platform and seeking for customers' demands and potentials. The Group shall unremittingly carry forward construction of "Trinity" and be devoted to innovation and intelligentisation of E-banking, function upgrading and specialisation of physical outlets and elevation in the number and capability of relationship managers. The Group shall take advantage of internet finance platform to become complementary with traditional banking model in respects of customer development, product and innovation and to make a brand new financial ecological cycle.

5. OTHER INFORMATION

I. Equity Investments

1. Holdings of equity interest in other listed companies

(in RMB unless otherwise stated)

Stock code	Stock short name	Initial investment amount	Percentage of equity interest in the company (%)	Book value as at the end of the Reporting Period	Gains/(losses) during the Reporting Period	Changes in owners' equity during the Reporting Period	Accounting items	Source of shares
600068	GEZHOUBA	64,843,200.00	0.52	221,121,000.00	37,219,783.50	183,901,216.50	Financial investments –available-for-sale	Foreclosed assets
02196	FOSUN PHARMA	125,334,379.74	–	118,381,500.00	2,374,310.40	3,566,208.55	Financial investments – available-for-sale	Equity investment
V	Visa Inc.	6,066,233.02	–	37,324,761.60	–	5,740,212.96	Financial investments – available-for-sale	Equity investment
00579	BEIJING JINGNENG CLEAN ENERGY	10,842,820.81	0.19	10,793,700.70	–	(957,280.67)	Financial investments – available-for-sale	Equity investment
01666	TONG REN TANG	3,533,467.49	0.04	2,845,139.86	–	(432,021.59)	Financial investments – available-for-sale	Equity investment
000709	HEBEI IRON&STEEL GROUP	4,095,211.20	0.01	2,767,339.20	–	867,859.20	Financial investments – available-for-sale	Foreclosed assets
00552	CHINA COMMUNICATION SERVICES	2,716,865.13	0.04	2,570,138.46	–	(132,771.19)	Financial investments – available-for-sale	Equity investment
02823	X ISHARES A50 CHINA	1,303,301.27	–	2,047,906.52	–	750,509.46	Financial investments – available-for-sale	Equity investment
06837	HAITONG SEC.	1,220,180.12	0.01	1,997,734.39	–	783,081.93	Financial investments – available-for-sale	Equity investment
02318	PINGAN	1,620,361.56	0.02	1,982,288.44	2,413,262.56	356,973.00	Financial investments – available-for-sale	Equity investment
00006	POWER ASSETS	1,429,794.01	–	1,957,659.79	–	171,143.41	Financial investments – available-for-sale	Equity investment
00874	BAIYUNSHAN PHARMACEUTICAL	1,187,967.53	0.03	1,183,936.10	12,181.87	1,350.29	Financial investments – available-for-sale	Equity investment
	Others	85,189,563.04		68,620,289.54	(1,317,247.92)	13,544,474.26		
	Total	**309,383,344.92**		**473,593,394.60**	**40,702,290.41**	**208,160,956.11**		

2. *Holdings of equity interest in unlisted financial institutions*

(in RMB unless otherwise stated)

Name of institution	Initial investment amount	Number of shares held (share)	Percentage of equity interest in the company (%)	Book value as at the end of the Reporting Period	Gains/(losses) during the Reporting Period	Changes in owners' equity during the Reporting Period	Accounting items	Source of shares
Bank of Tibet Co., Ltd.	300,000,000.00	320,000,000	10.60	547,674,238.67	90,294,620.00	113,428,000.00	Investment in an associate	Equity investment
Jiangsu Changshu Rural Commercial Bank Co., Ltd.	489,500,000.00	152,010,505	10.00	489,500,000.00	19,001,313.12	–	Financial investments – available-for-sale	Equity investment
China Union Pay Co., Ltd.	146,250,000.00	112,500,000	3.90	146,250,000.00	5,062,500.00	–	Financial investments – available-for-sale	Equity investment
China National Aviation Fuel Group Finance Corporation	120,000,000.00	N/A	10.00	120,000,000.00	–	–	Financial investments – available-for-sale	Equity investment
Shaanxi Coal and Chemical Industry Group Finance Corporation	100,000,000.00	N/A	10.00	100,000,000.00	7,080,636.23	–	Financial investments – available-for-sale	Equity investment
Total	**1,155,750,000.00**			**1,403,424,238.67**	**121,439,069.35**	**113,428,000.00**		

3. Purchases and sales of equity interest of other listed companies

(In RMB unless otherwise stated)

	Number of shares held at the beginning of the Reporting Period (share)	Number of shares purchased/ (sold) during the Reporting Period (share)	Number of shares held at the end of the Reporting Period (share)	Fund utilised	Gains
Purchases	48,200.00	15,575,300.00	15,623,500.00	166,313,433.94	-
Sales	84,863,208.00	(56,291,208.00)	28,572,000.00	-	413,148,535.76

Note: All changes in the number of shares held as shown in the table above are results of purchases and sales of shares of other listed companies by the subsidiaries of the Bank, except for disposal of shares obtained as collateral for loans in the course of business of the Bank.

II. Human Resource Management

1. Basic information of employees

For the year ended 2014, the Bank had a total of 93,658 domestic and overseas employees, of which 91,641 employees were based domestically and 2,017 were local employees in overseas branches. The number of employees of the Bank's major subsidiaries was 2,028.

	Head Office	Northern China	Eastern China	Central and Southern China	Western China	North Eastern China	Overseas
Number of employees	2,985[Note]	11,665	39,872	17,815	9,915	9,389	2,017
Number of outlets	1	372	1,079	606	369	358	54

Note: The number of employees in head office excludes employees in the Pacific Credit Card Centre.

The average age of the Bank's domestic employees was 35, with 41,650 employees under or at the age of 30, accounting for 45.45% of total domestic employees; 24,870 employees were between the age of 31 and 40 inclusively, accounting for 27.14% of total domestic employees; 17,891 employees were between the age of 41 and 50 inclusively, accounting for 19.52% of total domestic employees, and 6,116 employees were above or at the age of 51, accounting for 6.67% of total domestic employees.

Among the domestic employees, 8,660 employees possess postgraduate or higher academic degrees, accounting for 9.45% of total domestic employees; 60,733 employees possess undergraduate degrees, accounting for 66.27% of total domestic employees; 18,371 employees possess college diploma, accounting for 20.05% of total domestic employees, and 3,877 employees possess secondary vocational school certificate or lower qualifications, accounting for 4.23% of total domestic employees.

For the year of 2014, a total of 2,724 retired employees were covered by the Bank's pension scheme.

2. Remuneration policy

The Bank constantly improves its remuneration management to optimise the remuneration resources allocation model, emphasises on being performance oriented, strengthens the effect on self-discipline and performance incentive. In 2014, the Bank further improved the policy on deferred salaries payment based on performance for key personnel, which utilised the check and balance from remuneration over corporate governance and risk control, and led to the steady operation and sustainable development. The Bank also cares about its employees' welfare and continuously improves supplementary benefits system, including the enterprise annuity and supplemental medical insurance in addition to the basic social insurance.

The remuneration of Directors who receive remuneration from the Bank shall be determined in accordance with the Articles of Association of the Bank and applicable regulations after taking into consideration of their performance and the result of the annual evaluation.

3. Performance management

The Bank continuously seeks to optimise its performance management framework, further improves performance evaluation processes for operating team management and employees at each level, including divisions of Head Office, domestic and overseas branches and management of institutions directly controlled by Head Office. The Bank emphasised on the communication over its strategy linked to the employees' responsibilities and focused on key performance indicators. Greater emphasis was placed on performance evaluation and performance management was highly relied on as a guidance.

4. *Training management*

The Bank, with the view to reform and develop the whole Bank, determine and design employees' education and training, with focus on both training management and planning and key training project implementation. It continuously trains employees in a large scale for the purpose of great enhancement of employees' quality, and actively carries forward reform and innovation of employees' education and training with focus on coordination, pertinence and effectiveness.

III. Purchase, Sale Or Redemption Of Shares Of The Bank

During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

IV Compliance with *Corporate Governance Code* under the *Hong Kong Listing Rules*

Targeting at becoming the "Best Bank in Corporate Governance", the Bank always adheres to enhance normative and efficient corporate governance as key initiatives in order to promote reform and development and is committed to developing a modern corporate governance mechanism comprising the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and Senior Management with clear defined roles and responsibilities, mutual coordination and efficient operation, to protect the legitimate rights and interests of shareholders and other stakeholders.

For the year ended 31 December 2014, the Board of Directors of the Bank confirmed that the Bank had fully complied with the code provisions under the *Corporate Governance Code* as set out in Appendix 14 to *The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "**Hong Kong Listing Rule**"), and had also followed most of the best recommended practices contained in the *Corporate Governance Code*.

V Compliance with *Model Code for Securities Transactions by Directors of Listed Issuers*

The Bank adopted "*Model Code for Securities Transactions by Directors of Listed Issuers*" as set out in the Appendix 10 of *Hong Kong Listing Rules* as the guidelines for its Directors, Supervisors and Senior Management when dealing with securities. After specific enquiries, all the Directors, Supervisors and Senior Management of the Bank had complied with the above-mentioned rules in the Reporting Period.

VI Shareholdings Of Directors, Supervisors And Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the year (share)	Increase(or decrease) in shareholdings during the Reporting Period (share[1])	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Niu Ximing	Chairman and Executive Director	A share	0	210,000(L)	210,000(L)	Purchased from secondary market
Peng Chun	Vice Chairman, Executive Director and President	A share	0	150,000(L)	150,000(L)	Purchased from secondary market
Song Shuguang	Chairman of the Supervisory Committee	A share	0	130,000(L)	130,000(L)	Purchased from secondary market
Qian Wenhui[2]	Executive Director and Executive Vice President	A share	0	80,000(L)	80,000(L)	Purchased from secondary market
Yu Yali	Executive Director, Executive Vice President and Chief Financial Officer	A share	0	80,000(L)	80,000(L)	Purchased from secondary market
Hu Huating	Non-executive Director	A share	0	80,000(L)	80,000(L)	Purchased from secondary market
Wang Taiyin	Non-executive Director	A share	0	80,000(L)	80,000(L)	Purchased from secondary market
Liu Changshun	Non-executive Director	A share	0	50,000(L)	50,000(L)	Purchased from secondary market
Shou Meisheng	Executive Vice President and Commissioner of Discipline Inspection	A share	0	79,100(L)	79,100(L)	Purchased from secondary market
Hou Weidong	Executive Vice President and Chief Information Officer	A share	0	80,000(L)	80,000(L)	Purchased from secondary market
Zhu Hexin[3]	Executive Vice President	A share	0	80,000(L)	80,000(L)	Purchased from secondary market
Yang Dongping	Chief Risk Officer	A share	94,820(L)	105,180(L)	200,000(L)	Purchased from secondary market
Du Jianglong	Secretary of the Board of Directors	A share	0	80,000(L)	80,000(L)	Purchased from secondary market
Lv Benxian	Director of Corporate Development	A share	0	80,000(L)	80,000(L)	Purchased from secondary market
Chen Qing	Employee Representative Supervisor	A share	0	40,000(L)	40,000(L)	Purchased from secondary market
Shuai Shi	Employee Representative Supervisor	A share	0	40,600(L)	40,600(L)	Purchased from secondary market
Du Yarong	Employee Representative Supervisor	A share	0	60,000(L)	60,000(L)	Purchased from secondary market
Fan Jun	Employee Representative Supervisor	A share	0	40,000(L)	40,000(L)	Purchased from secondary market
Du Yuemei[4]	Former Non-executive Director	A share	0	88,000(L)	88,000(L)	Purchased from secondary market

Notes:

1. L stands for long positions.

2. Mr. Qian Wenhui ceased to act as Executive Director and Executive Vice President of the Bank from 10 February 2015 due to re-designation of work.

3. Mr. Zhu Hexin ceased to act as Executive Vice President of the Bank from 25 March 2015 due to re-designation of work.

4. Ms. Du Yuemei ceased to act as Non-executive Director of the Bank from 30 September 2014.

Save as disclosed above, as at 31 December 2014, none of the Bank's Directors, Supervisors or Chief Executive had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be recorded in the register as kept pursuant to section 352 of the SFO, or which were required, pursuant to "Model Code" to be notified to the Bank and the Hong Kong Stock Exchange.

VII Profit Distribution

Based on the total issued shares of 74,262,726,645 shares as at 31 December 2014, a cash dividend of RMB 0.27 (before tax) per share (the "**Final Dividend**") was recommended by the Board of Directors, totalling RMB 20.051 billion. The recommendation is subject to resolution of the first Extraordinary General Meeting in 2015 which will be held on Monday, 18 May 2015.

If the declaration and payment of the final dividend is approved at the 2015 First Extraordinary General Meeting, it is expected to be distributed on Friday, 10 July 2015 to the shareholders whose names appear on the register of members for H shares of the Bank on Wednesday, 27 May 2015, and it is expected to be distributed on Wednesday, 3 June 2015 to the shareholders whose names appear on the register of members for A shares of the Bank on Tuesday, 2 June 2015.

The register of members for H shares of the Bank will be closed from Friday, 22 May 2015 to Wednesday, 27 May 2015 (both days inclusive), during which time no transfer of the H shares will be registered. In order to be qualified for receiving the final dividend, all the transfer documents of holders of the H shares of the Bank must be lodged with the H share registrar and transfer office of the Bank in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m., on Thursday, 21 May 2015.

6. FINANCIAL STATEMENT

(1) Consolidated Statement of Profit or Loss and Other Comprehensive Income

(in millions of RMB unless otherwise stated)

	Year ended 31 December 2014	2013
Interest income	**288,509**	259,292
Interest expense	**(153,733)**	(128,634)
Net interest income	**134,776**	130,658
Fee and commission income	**32,914**	29,405
Fee and commission expense	**(3,310)**	(3,437)
Net fee and commission income	**29,604**	25,968
Dividend income	**78**	103
Net gains/(losses) arising from trading activities	**6,246**	(734)
Net gains arising from de-recognition of financial investments	**197**	159
Insurance business income	**2,547**	1,357
Other operating income	**5,088**	7,517
Impairment losses on loans and advances to customers	**(20,439)**	(18,410)
Insurance business expense	**(2,528)**	(1,173)
Other operating expense	**(70,732)**	(65,578)
Share of profit of an associate	**90**	42
Profit before tax	**84,927**	79,909
Income tax	**(18,892)**	(17,448)
Net profit for the year	**66,035**	62,461
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Changes in fair value recorded in equity	**5,649**	(3,779)
Changes in fair value reclassified from equity to profit or loss	**(148)**	(176)
Translation difference on foreign operations	**(205)**	(903)
	5,296	(4,858)
Item that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on pension benefits	**(15)**	27
Other comprehensive income/(loss) for the year	**5,281**	(4,831)
Comprehensive income for the year	**71,316**	57,630
Net profit attributable to:		
Shareholders of the Bank	**65,850**	62,295
Non-controlling interests	**185**	166
	66,035	62,461
Total comprehensive income attributable to:		
Shareholders of the Bank	**70,689**	57,466
Non-controlling interests	**627**	164
	71,316	57,630
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB)	**0.89**	0.84

(2) Consolidated Statement of Financial Position

(in millions of RMB)

	Year ended 31 December 2014	Year ended 31 December 2013
ASSETS		
Cash and balances with central banks	**938,055**	896,556
Due from banks and other financial institutions	**525,033**	566,429
Financial assets at fair value through profit or loss	**116,358**	73,310
Loans and advances to customers	**3,354,787**	3,193,063
Financial investments – loans and receivables	**211,588**	119,726
Financial investments – available-for-sale	**210,016**	221,253
Financial investments – held-to-maturity	**635,570**	670,615
Investment in an associate	**547**	344
Property and equipment	**69,767**	57,179
Deferred income tax assets	**16,077**	17,224
Other assets	**190,501**	145,238
Total assets	**6,268,299**	5,960,937
LIABILITIES		
Due to banks and other financial institutions	**1,408,275**	1,126,563
Financial liabilities at fair value through profit or loss	**28,823**	28,640
Due to customers	**4,029,668**	4,157,833
Certificates of deposits issued	**38,601**	24,619
Other liabilities	**151,896**	113,435
Current tax liabilities	**7,852**	6,107
Deferred income tax liabilities	**32**	18
Debt securities issued	**129,547**	82,238
Total liabilities	**5,794,694**	5,539,453
EQUITY		
Share capital	**74,263**	74,263
Capital surplus	**113,496**	113,383
Other reserves	**211,471**	164,585
Retained earnings	**71,825**	67,330
	471,055	419,561
Non-controlling interests	**2,550**	1,923
Total equity	**473,605**	421,484
Total equity and liabilities	**6,268,299**	5,960,937

(3) Consolidated Statement of Changes in Equity

(in millions of RMB)

			Other reserves									
	Share capital	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve for available -for-sale financial assets	Translation reserve on foreign operations	Actuarial changes reserve	Retained earnings	Attributable to the shareholders of the Bank	Non-controlling interests	Total
Balance at 1 January 2014	**74,263**	**113,383**	**30,999**	**78,510**	**62,757**	**(4,928)**	**(2,779)**	**26**	**67,330**	**419,561**	**1,923**	**421,484**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**65,850**	**65,850**	**185**	**66,035**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**5,059**	**(205)**	**(15)**	**–**	**4,839**	**442**	**5,281**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**5,059**	**(205)**	**(15)**	**65,850**	**70,689**	**627**	**71,316**
Capital increase in an associate	**–**	**113**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**113**	**–**	**113**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,308)**	**(19,308)**	**–**	**(19,308)**
Transfer to reserves	**–**	**–**	**6,523**	**26,732**	**8,792**	**–**	**–**	**–**	**(42,047)**	**–**	**–**	**–**
Balance at 31 December 2014	**74,263**	**113,496**	**37,522**	**105,242**	**71,549**	**131**	**(2,984)**	**11**	**71,825**	**471,055**	**2,550**	**473,605**
Balance at 1 January 2013	74,263	113,383	24,790	58,157	34,309	(975)	(1,876)	(1)	77,868	379,918	1,529	381,447
Net profit for the year	–	–	–	–	–	–	–	–	62,295	62,295	166	62,461
Other comprehensive income	–	–	–	–	–	(3,953)	(903)	27	–	(4,829)	(2)	(4,831)
Total comprehensive income	–	–	–	–	–	(3,953)	(903)	27	62,295	57,466	164	57,630
Capital increase in subsidiaries	–	–	–	–	–	–	–	–	–	–	265	265
Dividends paid	–	–	–	–	–	–	–	–	(17,823)	(17,823)	(35)	(17,858)
Transfer to reserves	–	–	6,209	20,353	28,448	–	–	–	(55,010)	–	–	–
Balance at 31 December 2013	74,263	113,383	30,999	78,510	62,757	(4,928)	(2,779)	26	67,330	419,561	1,923	421,484

(4) Consolidated Statement of Cash Flows

(in millions of RMB)

	Year ended 31 December **2014**	2013
Cash flows from operating activities:		
Profit before tax:	**84,927**	79,909
Adjustments for:		
Impairment allowances on loans and advances to customers	**20,439**	18,410
Provision for impairment losses on foreclosed assets	**5**	53
Unwind of discount on allowances during the year	**(1,502)**	(1,245)
Impairment of finance lease receivables	**274**	577
Provision for impairment of other receivables	**200**	32
Insurance contracts reserve	**2,579**	796
Impairment of financial investments	**1,947**	86
Reversal of outstanding litigation and unsettled obligation	**(189)**	(14)
Depreciation of property and equipment	**5,018**	4,364
Amortisation of rent and renovation	**435**	545
Share of profit of an associate	**(90)**	(42)
Net losses/(gains) from fair value hedges	**6**	(7)
Amortisation of land use rights	**37**	24
Amortisation of intangible assets	**263**	247
Interest income from financial investments	**(41,631)**	(35,186)
Net gains arising from de-recognition of financial investments	**(197)**	(159)
Net gains on disposal of property and equipment	**(83)**	(41)
Increase in revaluation of investment property	**(5)**	(18)
Interest expense on debt securities issued	**4,819**	3,431
Interest expense on certificates of deposits issued	**748**	334
Dividend income	**(78)**	(103)
Reversal of impairment allowances on repossessed assets	**1**	–
Operating cash flows before movements in operating assets and liabilities	**77,923**	71,993
Net increase in mandatory reserve deposits	**(31,288)**	(51,509)
Net decrease/(increase) in due from banks and other financial institutions	**101,417**	(101,871)
Net increase in financial assets at fair value through profit or loss	**(43,048)**	(21,128)
Net increase in loans and advances to customers	**(180,659)**	(330,412)
Net increase in other assets	**(33,029)**	(26,641)
Net increase in due to banks and other financial institutions	**281,712**	183,574
Net increase in financial liabilities at fair value through profit or loss	**183**	5,830
Net (decrease)/increase in due to customers	**(128,165)**	429,421
Net increase in other liabilities	**22,750**	1,789
Net increase in business tax payable	**(266)**	1
Income tax paid	**(17,815)**	(21,864)
Net cash from operating activities	**49,715**	139,183

(4) Consolidated Statement of Cash Flows (Continued)

(in millions of RMB)

	Year ended 31 December **2014**	2013
Cash flows from investing activities:		
Purchase of financial investments	**(507,836)**	(422,563)
Disposal or redemption of financial investments	**468,432**	234,229
Dividends received	**78**	103
Interest received from financial investments	**41,380**	32,078
Acquisition of intangible assets and other assets	**(8,066)**	(1,027)
Disposal of intangible assets and other assets	**269**	46
Purchase and construction of property and equipment	**(17,793)**	(15,105)
Disposal of property and equipment	**185**	747
Net cash used in investing activities	**(23,351)**	(171,492)
Cash flows from financing activities:		
Proceeds from debt securities and certificates of deposits issued	**131,543**	42,818
Interest paid on debt securities and certificates of deposits issued	**(4,686)**	(3,635)
Dividends paid to shareholders of the Bank	**(19,374)**	(17,823)
Repayment the principals of debts securities and certificates of deposits issued	**(63,785)**	(15,533)
Capital contribution by non-controlling interests	**–**	265
Dividends paid to non-controlling interests	**–**	(35)
Net cash from financing activities	**43,698**	6,057
Effect of exchange rate changes on cash and cash equivalents	**170**	(1,952)
Net increase/(decrease) in cash and cash equivalents	**70,232**	(28,204)
Cash and cash equivalents at the beginning of the year	**243,394**	271,598
Cash and cash equivalents at the end of the year	**313,626**	243,394
Net cash flows from operating activities include:		
Interest received	**240,843**	219,826
Interest paid	**(137,968)**	(115,941)

(5) Notes to consolidated financial statement

Basis of preparation and accounting estimates and judgements

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Predecessor Hong Kong Companies Ordinance (Cap. 32). The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are measured at fair value.

(a) New and revised IFRSs issued and applied

In the current year, the Group has applied certain new, revised or amendments to IFRSs, which were applicable for the Group's financial year beginning on 1 January 2014 and the relevant impact is set out below:

Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interest in other entities' and IAS 27 'Separate financial statements'	Investment entities
Amendments to IAS 32, 'Financial instruments: Presentation'	Offsetting financial assets and financial liabilities
Amendments to IAS 36, 'Impairment of assets'	Recoverable amount disclosures for non-financial assets
Amendments to IAS 39, 'Financial instruments: Recognition and measurement'	Novation of derivatives and continuation of hedge accounting
IFRIC 21	Levies

Amendments to IFRS 10, IFRS 12 and IAS 27

By virtue of this amendment, mutual funds and other similar entities are exempted from consolidating of most of their subsidiaries. Instead, their subsidiaries are measured at fair value through profit and loss. This amendment introduces exemptions for those entities which fulfills the definition of "Investment entities". The disclosure requirements in IFRS 12 'Disclosure of interest in other entities' are included.

Amendments to IAS 32

This amendment acts as a practice note to IAS 32, 'Financial instruments: Presentation'. It clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Amendments to IAS 36

This amendment has made changes to the disclosures required by IAS 36, impairment of assets when recoverable amount is determined based on fair value less costs of disposal.

Amendments to IAS 39

This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a Central Counter Party meets specified criteria.

IFRIC 21

IFRIC 21 is the interpretation of IAS 37 (provisions, contingent liabilities and contingent assets). IAS 37 states the criteria of liability recognition which includes current liability occurring from past transaction of the entity (called liability affairs). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The adoption of these new standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

(b) *New and revised IFRSs issued but not yet effective*

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

		Effective for annual period beginning on or after
Amendment to IAS 19 (as revised in 2011)	Employee Benefits – To Plans that Require Employees or Third Parties to Contribute Towards the Cost of Benefits	1 July 2014

		Effective for annual period beginning on or after
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IAS 27	Equity method in separate financial statements	1 January 2016
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

Amendment to IAS 19 (as revised in 2011)

The amendment to IAS 19 (as revised in 2011) – Employee Benefits will affect the defined benefit plans where employees or third parties are required to bear some of the cost of the plan. The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service period will be required to recognize the benefit of those contributions over employees' working lives. The Group anticipates that the adoption of the amendment will not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRSs: Annual Improvements to IFRSs 2010 – 2012 Cycle

The annual improvements to IFRSs 2010 – 2012 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. Amendments to IFRSs include the amendments to IFRS 2 – Share-Based Payment, the amendments to IFRS 3 – Business Combinations, the amendments to IFRS 8 – Operating Segments, the amendments to IFRS 13 – Fair Value Measurement, the amendments to IAS 24 – Related Party

Disclosures, the amendments to IAS 16 – Property, Plant and Equipment, and the amendments to IAS 38 – Intangible Assets. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRSs: Annual Improvements to IFRSs 2011 – 2013 Cycle

The annual improvements to IFRSs 2011 – 2013 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. Amendments to IFRSs include the amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards, the amendments to IFRS 3 – Business Combinations, the amendments to IFRS 13 – Fair Value Measurement, and the amendments to IAS 40 – Investment Property. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 11

The amendments require an investor to apply the principles of business combination accounting when they acquire an interest in a joint operation that constitutes a 'business' (as defined in IFRS 3, Business combinations). Specifically, an investor will need to:

- measure identifiable assets and liabilities at fair value;
- expense acquisition-related costs;
- recognise deferred tax; and
- recognise the residual as goodwill.

All other principles of business combination accounting apply unless they conflict with IFRS 11.

The amendments are applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

IFRS 14

IFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

IFRS 14 permits eligible first- time adopters of IFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. IFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

Amendments to IAS 16 and IAS 38

The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

- where the intangible asset is expressed as a measure of revenue; or
- where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to IFRS 10 and IAS 28

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendments to IAS 27

The amendments allow entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendments to IFRSs: Annual Improvements to IFRSs 2012 – 2014 Cycle

The Annual Improvements to IFRSs 2012 – 2014 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations regarding methods of disposal, the amendments to IFRS 7 -Financial Instruments: Disclosures regarding servicing contracts, the amendments to IAS 19 – Employee Benefits regarding discount rates, the amendments to IAS 34 Interim Financial Reporting regarding disclosure of information. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

IFRS 15

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an earnings process to an asset-liability approach based on transfer of control.

IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition:

IFRIC13 Customer Loyalty Programmes, IFRIC15 Agreements for the Construction of Real Estate, IFRIC18 Transfers of Assets from Customers and SIC-31 Revenue— Barter Transactions Involving Advertising Services.

IFRS 9

IFRS 9 (2014), "Financial instruments" replaces the whole of IAS 39.

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of IAS 39.

The Group is considering the impact of IFRS 9 on the consolidated financial statements

Except the above mentioned impact of IFRS 9, the adoption of the above new IFRSs and amendments to IFRSs issued but not yet effective is not expected to have a material effect on the Group’s operating results, financial position or other comprehensive income.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of IAS 39.

The Group is considering the impact of IFRS 9 on the consolidated financial statements. Except the above mentioned impact of IFRS 9, the adoption of the above new IFRSs and amendments to IFRSs issued but not yet effective is not expected to have a material effect on the Group’s operating results, financial position or other comprehensive income.

2. *Net interest income*

	(in millions of RMB)	
	Year ended 31 December	
	2014	2013
Interest income		
Balances with central banks	**13,074**	12,581
Due from banks and other financial institutions	**18,881**	15,358
Loans and advances to customers	**211,400**	194,847
Debt investment	**45,154**	36,506
	288,509	259,292
Interest expense		
Due to banks and other financial institutions	**(54,341)**	(44,028)
Due to customers	**(93,826)**	(80,671)
Debts securities issued	**(4,568)**	(3,431)
Certificates of deposits issued	**(998)**	(504)
	(153,733)	(128,634)
Net interest income	**134,776**	130,658

For the year ended 31 December 2014, interest income of the Group includes RMB3,523 million (2013: RMB1,320 million) of interest income on bond investments at fair value through profit or loss.

For the year ended 31 December 2014, interest expense of the Group includes RMB167 million (2013: RMB170 million) of interest expense on certificates of deposits issued classified as financial liabilities designated at fair value through profit or loss.

For the year ended 31 December 2014, interest income of the Group includes RMB1,502 million (2013: RMB1,245 million) of interest income on impaired loans and receivables.

	(in millions of RMB)	
	Year ended 31 December	
	2014	2013
Interest income on listed investments	**11,845**	10,215
Interest income on unlisted investments	**33,309**	26,291
	45,154	36,506

3. *Fee and commission income*

	(in millions of RMB)	
	Year ended 31 December	
	2014	2013
Settlement service	**2,480**	2,312
Bank cards	**10,424**	8,916
Investment banking	**7,643**	7,700
Guarantee and commitment	**3,588**	3,460
Management service	**6,417**	5,146
Agent service	**1,754**	1,533
Others	**608**	338
	32,914	29,405

	(in millions of RMB)	
	Year ended 31 December	
	2014	2013
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss	**569**	571
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	**1,540**	1,367

4. Impairment losses on loans and advances to customers

	(in millions of RMB)	
	Year ended 31 December	
	2014	2013
Loans and advances to customers		
– Collectively assessed losses provision	**9,006**	7,101
– Individually assessed losses provision	**11,433**	11,309
	20,439	18,410

5. Income tax

	(in millions of RMB)	
	Year ended 31 December	
	2014	2013
Current tax		
- PRC enterprise income tax	**18,216**	20,051
- Hong Kong profits tax	**1,016**	420
- Overseas taxation	**328**	375
	19,560	20,846
Deferred income tax	**(668)**	(3,398)
	18,892	17,448

The provision for enterprise income tax in PRC is calculated based on the statutory rate of 25% (2013: 25%) of the assessable income of the Bank and each of the subsidiaries established in PRC. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions.

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Group at 25% (2013: 25%). The major reconciliation items are as follows:

	(in millions of RMB)	
	Year ended 31 December	
	2014	2013
Profit before tax	**84,927**	79,909
Tax calculated at a tax rate of 25%	**21,232**	19,977
Effect of different tax rates in other countries (or regions)	**75**	44
Tax effect arising from income not subject to tax [1]	**(2,868)**	(2,881)
Tax effect of expenses not deductible for tax purposes [2]	**453**	308
Income tax expense	**18,892**	17,448

[1] The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

[2] The expenses that are not tax deductible mainly represent a portion of expenditure, such as entertainment expense etc., which exceed the tax deduction limits in accordance with PRC tax regulations.

6. *Basic and diluted earnings per share*

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year. There were no potentially ordinary shares outstanding during the year ended 31 December 2014 and 2013.

	Year ended 31 December	
	2014	2013
Net profit attributable to shareholders of the Bank	**65,850**	62,295
Number of ordinary shares in issue (expressed in millions)	**74,263**	74,263
Basic and diluted earnings per share (expressed in RMB per share)	**0.89**	0.84

7. *Derivative financial instruments*

The following derivative instruments are utilised by the Group for trading or hedging purposes:

Currency forwards are contracts between two parties to buy or sell certain currencies at a specified future date at a predetermined price. The party agreeing to buy the underlying currency in the future assumes a long position, and the party agreeing to sell the currency in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) on or before a set date or during a set period, a specific amount of a foreign currency at a predetermined price or to receive an interest payment based on a variable interest rate and pay a fixed interest rate or vice versa. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter market).

The notional amounts of certain types of financial instruments provide a reference of the amounts recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

(in millions of RMB)

	Contractual/ notional amount	Fair values Assets	Liabilities
As at 31 December 2014			
Foreign exchange contracts	**1,123,840**	**9,445**	**(8,550)**
Interest rate contracts and others	**552,916**	**1,211**	**(1,524)**
Total amount of derivative instruments recognised	**1,676,756**	**10,656**	**(10,074)**

(in millions of RMB)

	Contractual/ notional amount	Fair values Assets	Liabilities
As at 31 December 2013			
Foreign exchange contracts	1,462,736	12,723	(14,261)
Interest rate contracts and others	587,446	1,504	(2,414)
Total amount of derivative instruments recognised	2,050,182	14,227	(16,675)

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Group's and the Bank's derivative financial instruments outstanding at year end. These instruments, comprising foreign exchange and interest rate derivatives allow the Group and the Bank and their customers to transfer, modify or reduce their foreign exchange and interest rate risks.

The Group and the Bank undertakes its transactions in foreign exchange and interest rates contracts with other financial institutions and customers. Management has established limits for these contracts based on counterpart types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency

	(in millions of RMB) As at 31 December 2014	As at 31 December 2013
RMB	**805,306**	1,075,990
US dollar	**680,022**	790,521
HK dollar	**106,253**	106,796
Others	**85,175**	76,875
Total	**1,676,756**	2,050,182

Hedge accounting

Included in the derivative financial instruments above are those designated as hedging instruments by the Group as follows:

(in millions of RMB)

	Contractual/ notional amount	**Fair values**	
		Assets	**Liabilities**
As at 31 December 2014			
Derivative financial instruments designated as hedging instruments in fair value hedges- Interest rate swaps	**11,220**	**8**	**(281)**
Total	**11,220**	**8**	**(281)**

(in millions of RMB)

	Contractual/ notional amount	Fair values	
		Assets	Liabilities
As at 31 December 2013			
Derivative financial instruments designated as hedging instruments in fair value hedges- Interest rate swaps	7,124	21	(252)
Total	7,124	21	(252)

The Group uses interest rate swaps to minimise its exposure to fair value changes of its fixed-rate bond investments by swapping fixed-rate bond investments from fixed rates to floating rates. The interest rate swaps and the corresponding bond investments have the same terms and management of the Group consider that the interest rate swaps are highly effective hedging instruments.

The following table shows the profit and loss effects of the fair value hedges:

(in millions of RMB)

	As at 31 December 2014	As at 31 December 2013
(Losses)/gains on hedging instruments	**(30)**	270
Gains/(losses) on hedged items attributable to the hedge risk	**24**	(263)
Net (losses)/gains from fair value hedges	**(6)**	7

8. Dividends

(in millions of RMB)

	Year ended 31 December	
	2014	2013
Dividends to shareholders of the Bank	**19,308**	17,823

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(1) Making up cumulative losses from prior years, if any;

(2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;

(3) Allocations to statutory general reserve;

(4) Allocations to the discretionary reserve upon approval by the Annual General Meeting. These funds form part of the shareholders' equity.

The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at the Annual General Meeting.

Pursuant to the proposal raised at the Board meeting on 27 March 2013 which was approved at the 2012 Annual General Meeting on 25 June 2013, the Bank, in 2013, appropriated RMB27,326 million to the statutory general reserve and RMB20,353 million to discretionary reserve. It was also resolved that a cash dividend of RMB0.24 (before tax) for each share, totalling RMB17,823 million, calculated based on the total number of shares outstanding of 74.263 billion shares (RMB1 per share) as at 31 December 2012, will be declared and paid to shareholders on 31 July 2013.

Pursuant to the proposal raised at the Board meeting on 30 March 2014 which was approved at 2013 Annual General Meeting on 25 June 2014, the Bank, in 2014, appropriated RMB8,111 million to the statutory general reserve and RMB26,732 million to discretionary reserve. It was also resolved that a cash dividend of RMB0.26 (before tax) for each share, totalling RMB19,308 million, calculated based on the total number of shares outstanding of 74.263 billion shares (RMB1 per share) as at 31 December 2013 will be declared and paid to shareholders on 31 July 2014.

On 26 March 2015, the Board of Directors of the Bank, in 2015, proposed to appropriate RMB2,960 million to the statutory general reserve and RMB34,522 million to discretionary reserve. A cash dividend of RMB0.27 (before tax) for each share, totalling RMB20,051 million, calculated based on the total number of shares outstanding of 74.263 billion shares (RMB1 per share) as at 31 December 2014 was also proposed. The proposal will be subject to the approval by the Shareholders' Meeting of the Bank.

9. Financial guarantees and credit related commitments, other commitments and contingent liabilities

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit related commitments which the Group has committed to its customers:

	(in millions of RMB)	
	As at 31 December 2014	As at 31 December 2013
Letters of guarantee	**310,500**	376,222
Letters of credit	**50,872**	70,380
Acceptances	**556,965**	612,830
Other commitments with an original maturity of		
- Under 1 year	**449,462**	288,860
- 1 year and over	**166,728**	202,427
	1,534,527	1,550,719

Capital expenditure commitments

	(in millions of RMB)	
	As at 31 December 2014	As at 31 December 2013
Authorised but not contracted for	**173**	154
Contracted but not provided for	**9,114**	2,880
	9,287	3,034

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments on buildings and equipment under non-cancellable operating leases are as follows:

(in millions of RMB)

	As at 31 December 2014	As at 31 December 2013
Within 1 year	**1,394**	1,907
Beyond 1 year and not more than 2 years	**1,248**	1,523
Beyond 2 years and not more than 3 years	**1,071**	1,249
Beyond 3 years and not more than 5 years	**1,443**	1,828
More than 5 years	**1,425**	1,231
	6,581	7,738

The Group acts as lessor in operating leases principally through aircraft and vessel leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft and vessel under non-cancellable operating leases are as follows:

(in millions of RMB)

	As at 31 December 2014	As at 31 December 2013
Within 1 year	**824**	765
Beyond 1 year and not more than 2 years	**827**	765
Beyond 2 years and not more than 3 years	**827**	765
Beyond 3 years and not more than 5 years	**1,602**	1,503
More than 5 years	**3,393**	2,940
	7,473	6,738

Commitments on security underwriting and bond acceptance

The Bank is entrusted by the MOF to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Bank has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 31 December 2014, the principal value of the Treasury Bonds that the Bank had the obligation to buy back amounted to RMB58,443 million (31 December 2013: RMB42,361 million).

The original maturities of those Certificated Bonds and Savings Bonds vary from 1 to 5 years.

The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity.

As at 31 December 2014, there was no irrevocable commitment on security underwriting of the Group announced to the public (31 December 2013: Nil).

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. The total outstanding claims against the Group (defendant) by a number of third parties at the end of the years are summarised as follows:

(in millions of RMB)

	As at 31 December 2014	As at 31 December 2013
Outstanding claims	**1,725**	1,153
Provision for outstanding litigation	**191**	378

10. Segment analysis

The Group's senior management reviewed the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's operating segments are decided upon location of the assets, as the Group's branches mainly serve local customers.

The reportable operating segments derive their revenue primarily from the commercial banking services provided to customers and investing activities, including deposits/loans, bills, trade finance, money market placements and takings and securities investments.

There were no changes in the reportable segments during the year.

The revenue from external parties reported to the senior management is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

As the Group's major revenue is derived from interest and the senior management relies primarily on net interest income to assess the performance of the segment, the total interest income and expense for all reportable segments will be presented on a net basis.

The measure of segment profit or loss reviewed by the Group's senior management is profit before tax. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the segments.

Operating segment information

(in millions of RMB)

	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Total
As at 31 December 2014									
Assets									
Cash and balances with central banks	5,934	4,004	20,623	13,072	6,891	843,237	44,294	–	938,055
Due from banks and other financial institutions	14,969	17,805	75,347	28,004	22,161	239,027	127,720	–	525,033
Financial assets at fair value through profit or loss	–	–	97	–	–	101,469	14,792	–	116,358
Loans and advances to customers	443,774	175,700	1,229,364	709,504	343,194	177,769	275,482	–	3,354,787
Financial investments – loans and receivables	87	50	5,706	3,120	43	202,582	–	–	211,588
Financial investments – available-for-sale	–	–	3,458	680	2	148,856	57,020	–	210,016
Financial investments – held-to-maturity	–	–	852	–	–	632,478	2,240	–	635,570
Investment in an associate	–	–	–	–	–	547	–	–	547
Other assets	637,632	183,720	1,040,117	877,706	346,201	590,406	123,520	(3,522,957)	276,345
Total assets	1,102,396	381,279	2,375,564	1,632,086	718,492	2,936,371	645,068	(3,522,957)	6,268,299
Liabilities									
Due to banks and other financial institutions	(388,850)	(36,893)	(427,465)	(160,003)	(39,544)	(198,666)	(156,854)	–	(1,408,275)
Financial liabilities at fair value through profit or loss	–	–	(21)	–	–	(6,774)	(22,028)	–	(28,823)
Due to customers	(534,997)	(235,562)	(1,543,041)	(950,701)	(469,019)	(2,366)	(293,982)	–	(4,029,668)
Certificates of deposits issued	–	–	–	–	–	(5,923)	(32,678)	–	(38,601)
Debts securities issued	–	–	(4,597)	–	–	(106,230)	(18,720)	–	(129,547)
Other liabilities	(76,899)	(45,776)	(227,754)	(70,220)	(88,050)	(3,012,121)	(161,917)	3,522,957	(159,780)
Total liabilities	(1,000,746)	(318,231)	(2,202,878)	(1,180,924)	(596,613)	(3,332,080)	(686,179)	3,522,957	(5,794,694)
Net on-balance sheet position	101,650	63,048	172,686	451,162	121,879	(395,709)	(41,111)	–	473,605
Acquisition cost of property and equipment and intangible assets	(2,360)	(809)	(2,885)	(2,585)	(1,544)	(2,093)	(13,629)	–	(25,905)

(in millions of RMB)

	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Total
As at 31 December 2014									
Interest income	78,801	23,225	149,343	74,819	37,242	92,089	14,854	(181,864)	288,509
Interest expense	(57,224)	(16,132)	(102,728)	(54,772)	(25,940)	(70,629)	(8,172)	181,864	(153,733)
Net interest income	21,577	7,093	46,615	20,047	11,302	21,460	6,682	–	134,776
Fee and commission income	2,492	1,040	12,057	6,779	2,770	6,241	1,535	–	32,914
Fee and commission expense	(519)	(91)	(1,170)	(708)	(351)	(357)	(114)	–	(3,310)
Net fee and commission income	1,973	949	10,887	6,071	2,419	5,884	1,421	–	29,604
Dividend income	–	–	52	7	–	19	–	–	78
Net gains/(losses) arising from trading activities	509	57	1,511	418	255	2,874	622	–	6,246
Net gains/(losses) arising from de-recognition of financial investments	–	–	130	14	–	–	53	–	197
Insurance business income	–	–	2,510	–	–	–	37	–	2,547
Share of profit of an associate	–	–	–	–	–	90	–	–	90
Other operating income	616	332	1,890	767	448	510	525	–	5,088
Total operating revenue	24,675	8,431	63,595	27,324	14,424	30,837	9,340	–	178,626
Impairment losses on loans and advances to customers	(980)	(1,227)	(14,596)	(2,208)	(1,028)	–	(400)	–	(20,439)
Insurance business expense	–	–	(2,504)	–	–	–	(24)	–	(2,528)
Other operating expense	(8,473)	(3,861)	(21,161)	(12,675)	(6,112)	(15,736)	(2,714)	–	(70,732)
Profit before tax	15,222	3,343	25,334	12,441	7,284	15,101	6,202	–	84,927
Income tax	(3,653)	(802)	(6,080)	(2,986)	(1,748)	(2,135)	(1,488)	–	(18,892)
Net profit for the year	11,569	2,541	19,254	9,455	5,536	12,966	4,714	–	66,035
Depreciation and amortisation	(468)	(425)	(2,233)	(873)	(343)	(914)	(497)	–	(5,753)
Include									
External interest income	36,858	11,297	83,823	39,737	21,155	82,665	12,974	–	288,509
Inter-segment interest income	41,943	11,928	65,520	35,082	16,087	9,424	1,880	(181,864)	–
Include									
External interest expense	(32,819)	(7,636)	(51,378)	(28,650)	(11,062)	(14,736)	(7,452)	–	(153,733)
Inter-segment interest expense	(24,405)	(8,495)	(51,350)	(26,122)	(14,879)	(55,893)	(720)	181,864	–
Include									
External net interest income	4,039	3,661	32,445	11,087	10,093	67,929	5,522	–	134,776
Inter-segment net interest income/(expense)	17,538	3,433	14,170	8,960	1,208	(46,469)	1,160	–	–

(in millions of RMB)

	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Total
As at 31 December 2013									
Assets									
Cash and balances with central banks	12,037	4,402	25,215	17,021	7,606	803,762	26,513	–	896,556
Due from banks and other financial institutions	11,693	12,148	75,995	26,922	16,899	359,778	62,994	–	566,429
Financial assets at fair value through profit or loss	–	–	2	–	–	60,846	12,462	–	73,310
Loans and advances to customers	506,224	162,116	1,181,417	584,398	308,983	172,499	277,426	–	3,193,063
Financial investments – loans and receivables	105	52	4,761	4,262	57	110,489	–	–	119,726
Financial investments – available-for-sale	9	–	1,234	594	16	173,290	46,110	–	221,253
Financial investments – held-to-maturity	–	–	903	150	–	668,218	1,344	–	670,615
Investment in an associate	–	–	–	–	–	344	–	–	344
Other assets	542,880	141,971	871,955	445,669	192,300	321,862	98,787	(2,395,783)	219,641
Total assets	1,072,948	320,689	2,161,482	1,079,016	525,861	2,671,088	525,636	(2,395,783)	5,960,937
Liabilities									
Due to banks and other financial institutions	(325,675)	(22,797)	(347,513)	(119,118)	(33,256)	(171,733)	(106,471)	–	(1,126,563)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(11,514)	(17,126)	–	(28,640)
Due to customers	(704,233)	(272,889)	(1,592,514)	(878,557)	(445,875)	(2,014)	(261,751)	–	(4,157,833)
Certificates of deposits issued	–	–	–	–	–	(2,968)	(21,651)	–	(24,619)
Debts securities issued	–	–	–	–	–	(78,000)	(4,238)	–	(82,238)
Other liabilities	(43,512)	(24,960)	(197,104)	(66,635)	(38,961)	(2,040,388)	(103,783)	2,395,783	(119,560)
Total liabilities	(1,073,420)	(320,646)	(2,137,131)	(1,064,310)	(518,092)	(2,306,617)	(515,020)	2,395,783	(5,539,453)
Net on-balance sheet position	(472)	43	24,351	14,706	7,769	364,471	10,616	–	421,484
Acquisition cost of property and equipment and intangible assets	(1,690)	(1,004)	(4,218)	(4,647)	(1,241)	(1,756)	(3,303)	–	(17,859)

(in millions of RMB)

	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Head Office	Overseas	Eliminations	Group Total
As at 31 December 2013									
Interest income	71,118	20,220	139,875	74,253	35,559	74,377	10,736	(166,846)	259,292
Interest expense	(53,017)	(14,239)	(95,824)	(52,413)	(22,940)	(51,805)	(5,242)	166,846	(128,634)
Net interest income	18,101	5,981	44,051	21,840	12,619	22,572	5,494	–	130,658
Fee and commission income	3,422	899	10,613	6,142	2,370	4,534	1,425	–	29,405
Fee and commission expense	(638)	(100)	(1,323)	(701)	(302)	(268)	(105)	–	(3,437)
Net fee and commission income	2,784	799	9,290	5,441	2,068	4,266	1,320	–	25,968
Dividend income	–	1	41	3	–	44	14	–	103
Net gains/(losses) arising from trading activities	688	7	377	292	40	(1,234)	(904)	–	(734)
Net gains/(losses) arising from de-recognition of financial investments	–	58	34	2	–	(19)	84	–	159
Insurance business income	–	–	1,321	–	–	–	36	–	1,357
Share of profit of an associate	–	–	–	–	–	42	–	–	42
Other operating income	1,168	421	3,026	1,593	783	248	278	–	7,517
Total operating revenue	22,741	7,267	58,140	29,171	15,510	25,919	6,322	–	165,070
Impairment losses on loans and advances to customers	(1,132)	(350)	(14,379)	(1,786)	(531)	(1)	(231)	–	(18,410)
Insurance business expense	–	–	(1,150)	–	–	–	(23)	–	(1,173)
Other operating expense	(9,343)	(3,501)	(22,408)	(12,295)	(6,071)	(9,738)	(2,222)	–	(65,578)
Profit before tax	12,266	3,416	20,203	15,090	8,908	16,180	3,846	–	79,909
Income tax	(3,099)	(808)	(5,113)	(3,818)	(2,244)	(1,490)	(876)	–	(17,448)
Net profit for the year	9,167	2,608	15,090	11,272	6,664	14,690	2,970	–	62,461
Depreciation and amortisation	(667)	(356)	(1,876)	(845)	(528)	(830)	(78)	–	(5,180)
Include									
External interest income	33,308	10,385	79,345	38,962	20,270	67,884	9,138	–	259,292
Inter-segment interest income	37,810	9,835	60,530	35,291	15,289	6,493	1,598	(166,846)	–
Include									
External interest expense	(28,827)	(6,863)	(45,339)	(24,894)	(9,058)	(8,918)	(4,735)	–	(128,634)
Inter-segment interest expense	(24,190)	(7,376)	(50,485)	(27,519)	(13,882)	(42,887)	(507)	166,846	–
Include									
External net interest income	4,481	3,522	34,006	14,068	11,212	58,966	4,403	–	130,658
Inter-segment net interest income/(expense)	13,620	2,459	10,045	7,772	1,407	(36,394)	1,091	–	–

Geographical information

	For the year ended 31 December 2014 Revenue	**As at 31 December 2014 Non-current assets[Note]**	For the year ended 31 December 2014 Revenue	As at 31 December 2014 Non-current assets[Note]
PRC	**331,577**	**93,043**	294,533	60,503
Other countries	**4,092**	**160**	2,608	120
Total	**335,669**	**93,203**	297,141	60,623

Note: Non-current assets include property and equipment, land use rights, intangible assets, prepaid rental deposits, leasehold improvements, investment property and goodwill etc. It excludes financial assets, deferred income tax assets and rights arising under insurance contracts.

Business Information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit card and remittance. Treasury mainly comprises money market placements and takings, financial investments, and securities sold under repurchase agreements. The "Other Business" segment mainly comprises items which cannot be categorised in the above business segments.

(in millions of RMB)

	For the year ended 31 December 2014				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	74,265	31,289	28,393	829	134,776
Internal net interest income/ (expense)	2,399	5,860	(8,259)	–	–
Net interest income	76,664	37,149	20,134	829	134,776
Net fee and commission income	16,259	11,713	94	1,538	29,604
Dividend income	–	–	–	78	78
Net gains/(losses) arising from trading activities	2,385	(22)	3,931	(48)	6,246
Net gains arising from de-recognition of financial investments	–	–	197	–	197
Insurance business income	–	–	–	2,547	2,547
Other operating income	900	2,618	450	1,120	5,088
Impairment losses on loans and advances to customers	(9,006)	(11,433)	–	–	(20,439)
Insurance business expense	–	–	–	(2,528)	(2,528)
Other operating expense					
- depreciation and amortisation	(1,731)	(3,630)	(126)	(266)	(5,753)
- others	(29,257)	(29,784)	(4,019)	(1,919)	(64,979)
Share of profit of an associate	–	–	–	90	90
Profit before tax	56,214	6,611	20,661	1,441	84,927
Capital expenditure	7,794	16,343	569	1,199	25,905
	As at 31 December 2014				
Total assets	2,639,542	907,829	2,666,063	54,865	6,268,299
Total liabilities	**(2,868,281)**	**(1,369,055)**	**(1,552,316)**	**(5,042)**	**(5,794,694)**

(in millions of RMB)

	For the year ended 31 December 2013				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	74,011	25,332	30,695	620	130,658
Internal net interest income/ (expense)	2,216	8,194	(10,410)	–	–
Net interest income	76,227	33,526	20,285	620	130,658
Net fee and commission income	14,996	9,207	198	1,567	25,968
Dividend income	–	–	–	103	103
Net gains/(losses) arising from trading activities	94	141	(1,001)	32	(734)
Net gains arising from de-recognition of financial investments	–	–	159	–	159
Insurance business income	–	–	–	1,357	1,357
Other operating income	700	6,097	185	535	7,517
Impairment losses on loans and advances to customers	(11,316)	(7,094)	–	–	(18,410)
Insurance business expense	–	–	–	(1,173)	(1,173)
Other operating expense					
- depreciation and amortisation	(1,594)	(2,766)	(86)	(734)	(5,180)
- others	(25,126)	(32,765)	(1,544)	(963)	(60,398)
Share of profit of an associate	–	–	–	42	42
Profit before tax	53,981	6,346	18,196	1,386	79,909
Capital expenditure	5,656	10,060	311	1,832	17,859
	As at 31 December 2013				
Total assets	2,705,877	678,175	2,548,512	28,373	5,960,937
Total liabilities	(2,984,897)	(1,359,811)	(1,191,545)	(3,200)	(5,539,453)

There were no large transactions with a single external customer that the Group mainly relying on.

11. *Liquidity risk*

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

(in millions of RMB)

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Over due	Undated	Total
As at 31 December 2014									
Assets									
Cash and balances with central banks	171,451	–	–	–	–	–	–	766,604	938,055
Due from banks and other financial institutions	114,721	195,496	107,070	91,472	16,274	–	–	–	525,033
Financial assets at fair value through profit or loss	–	7,152	9,344	32,947	51,477	15,197	–	241	116,358
Loans and advances to customers	–	474,734	296,288	942,297	743,231	845,345	52,892	–	3,354,787
Financial investments – loans and receivables	–	16,893	21,626	68,430	74,349	30,290	–	–	211,588
Financial investments – available-for-sale	–	6,030	18,701	35,917	109,399	35,841	1,115	3,013	210,016
Financial investments – held-to-maturity	–	3,210	17,291	83,038	340,780	191,251	–	–	635,570
Other assets	63,082	9,544	12,969	30,797	75,685	13,011	1,083	70,721	276,892
Total assets	349,254	713,059	483,289	1,284,898	1,411,195	1,130,935	55,090	840,579	6,268,299
Liabilities									
Due to banks and other financial institutions	(231,717)	(201,479)	(311,077)	(354,341)	(279,971)	(29,690)	–	–	(1,408,275)
Financial liabilities at fair value through profit or loss	–	(5,792)	(3,910)	(10,621)	(6,280)	(2,220)	–	–	(28,823)
Due to customers	(1,934,662)	(584,485)	(498,306)	(552,911)	(458,274)	(1,030)	–	–	(4,029,668)
Other liabilities	(180,473)	(6,548)	(15,172)	(18,234)	(27,498)	(80,003)	–	–	(327,928)
Total liabilities	(2,346,852)	(798,304)	(828,465)	(936,107)	(772,023)	(112,943)	–	–	(5,794,694)
Net amount on liquidity gap	(1,997,598)	(85,245)	(345,176)	348,791	639,172	1,017,992	55,090	840,579	473,605

(in millions of RMB)

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Over due	Undated	Total
As at 31 December 2013									
Assets									
Cash and balances with central banks	161,240	–	–	–	–	–	–	735,316	896,556
Due from banks and other financial institutions	80,170	282,499	74,321	123,348	6,079	–	12	–	566,429
Financial assets at fair value through profit or loss	–	4,933	10,853	23,878	25,377	8,162	–	107	73,310
Loans and advances to customers	–	318,032	331,461	970,541	756,316	790,958	25,755	–	3,193,063
Financial investments – loans and receivables	–	33,520	2,905	33,461	24,805	25,035	–	–	119,726
Financial investments – available-for-sale	–	6,814	16,914	42,275	112,273	40,828	–	2,149	221,253
Financial investments – held-to-maturity	–	8,233	18,101	80,637	355,437	208,207	–	–	670,615
Other assets	41,136	8,407	10,649	19,078	65,167	15,209	470	59,869	219,985
Total assets	282,546	662,438	465,204	1,293,218	1,345,454	1,088,399	26,237	797,441	5,960,937
Liabilities									
Due to banks and other financial institutions	(140,011)	(220,872)	(254,577)	(99,768)	(396,326)	(15,009)	-	-	(1,126,563)
Financial liabilities at fair value through profit or loss	-	(3,950)	(5,826)	(11,006)	(7,503)	(355)	-	-	(28,640)
Due to customers	(1,877,544)	(560,725)	(550,802)	(775,771)	(382,991)	(10,000)	-	-	(4,157,833)
Other liabilities	(35,457)	(18,183)	(26,645)	(46,789)	(52,829)	(46,514)	-	-	(226,417)
Total liabilities	(2,053,012)	(803,730)	(837,850)	(933,334)	(839,649)	(71,878)	-	-	(5,539,453)
Net amount on liquidity gap	(1,770,466)	(141,292)	(372,646)	359,884	505,805	1,016,521	26,237	797,441	421,484

12. Subsequent events

On 9 January 2015, the Bank's Hong Kong Branch issued bonds with total face value of USD 750 million and at a coupon rate of 2.5%. The bonds will be matured on 16 January 2018 with interest payable semi-annually.

VII. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT

This results announcement is extracted from the 2014 Annual Report prepared in accordance with the IFRSs. The full report will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com for shareholders' and investors' inspection. The 2014 Annual Report, which is prepared in accordance with the Accounting Standards for Business Enterprises, will be available on the website of the Shanghai Stock Exchange at www.sse.com.cn and the website of the Bank at www.bankcomm.com. Investors should read the full Annual Report for details of the Annual Results. The Annual Report, prepared in accordance with the IFRSs, is expected to be dispatched to the holders of H shares in April 2015.

By order of the Board of Directors
Bank of Communications Co., Ltd.
Niu Ximing
Chairman of the Board of Directors

Shenzhen, the PRC
26 March 2015

As at the date of this announcement, the Directors of the Bank are Mr. Niu Ximing, Mr. Peng Chun, Ms. Yu Yali, Mr. Hu Huating[*], Mr. Wang Taiyin[*], Mr. Liu Changshun[*],Mr. Peter Wong Tung Shun*, Mr. Ma Qiang[*], Mr. Lei Jun[*], Ms. Zhang Yuxia[*], Mr. Peter Hugh Nolan[#], Mr. Chen Zhiwu[#], Mr. Choi Yiu-kwan[#], Mr. Yu Yongshun[#], Ms. Li Jian[#] and Mr. Liu Li[#].

[*] _Non-executive Directors_
[#] _Independent Non-executive Directors_